

The Accounts Commission for Scotland

Agenda

Meeting on Thursday 9 May 2013,
in the offices of Audit Scotland, 18 George Street, Edinburgh

The meeting will begin at 10:00 am

1. **Apologies for absence**
2. **Declarations of interest**
3. **Decisions on taking business in private:** The Commission will consider whether to take items 10 to 13 in private.
4. **Minute of meeting of 11 April 2013**
5. **Chair's introduction:** The Chair will report on recent activity and issues of interest to the Commission.
6. **Update report by the Controller of Audit:** The Commission will consider a report from the Controller of Audit on significant recent activity in relation to the audit of local government.
7. **Welfare reform update:** The Commission will consider a report by the Assistant Auditor General.
8. **Audit of Best Value – City of Edinburgh Council:** The Commission will consider a report by the Controller of Audit.
9. **Any other business**

The following items are proposed to be considered in private:

10. **Audit of Best Value – City of Edinburgh Council:** The Commission will consider the action it wishes to take on the report.
11. **Accounts Commission annual plan progress report and draft annual report:** The Commission will consider a report by the Secretary and Business Manager.
12. **Accounts Commission Strategy – update and annual action plan 2013/14:** The Commission will consider a report by the Secretary and Business Manager.
13. **Performance audit: Housing in Scotland:** The Commission will consider a report by the Director of Performance Audit.

The following papers are enclosed for this meeting:

Agenda Item	Paper number
Agenda Item 4: Minutes of the meeting of the Commission of 11 April 2013	AC.2013.5.1
Agenda Item 6: Report by Controller of Audit	AC.2013.5.2
Agenda Item 7: Report by Assistant Auditor General	AC.2013.5.3
Agenda Item 8: Cover note by Secretary and Business Manager	AC.2013.5.4
Agenda Item 11: Report by Secretary and Business Manager	AC.2013.5.5
Agenda Item 12: Report by Secretary and Business Manager	AC.2013.5.6
Agenda Item 13: Report by Director of Performance Audit	AC.2013.5.7

ACCOUNTS COMMISSION

MEETING 9 MAY 2013

MINUTES OF PREVIOUS MEETING

Minutes of the meeting of the Accounts Commission held in the offices of Audit Scotland at 18 George Street, Edinburgh, on Thursday, 11 April 2013, at 10am

PRESENT: John Baillie (Chair)
Michael Ash
Alan Campbell
Sandy Cumming
Colin Duncan
Jim King
Linda Pollock
Graham Sharp
Douglas Sinclair (Deputy Chair)

IN ATTENDANCE: Fraser McKinlay, Controller of Audit
Paul Reilly, Secretary and Business Manager
Angela Cullen, Assistant Director, Performance Audit Group (PAG) [Items 7 and 11]
Angela Canning, Assistant Director, PAG [Item 9]
Martin Walker, Assistant Director, Best Value and Scrutiny Improvement Group (BVISI) [Item 10]
Gordon Neill, Portfolio Manager, BVISI [Item 10]
Tommy Yule, Project Manager, BVISI [Item 10]
Graeme Greenhill, Portfolio Manager, PAG [Item 11]
Gill Miller, Senior Performance Auditor, PAG [Item 11]

<u>Item No</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Decisions on taking business in private
4.	Minutes of meeting of 14 March 2013
5.	Chair's introduction
6.	Update report by the Controller of Audit
7.	Format and distribution of reports
8.	Any other business
9.	Equality outcomes and mainstreaming equalities
10.	Joint report by Accounts Commission and Auditor General for Scotland: Managing early departures in the Scottish public sector
11.	Roads maintenance follow-up – an audit update

1. Apologies for absence

Apologies were received from Christine May, Bill McQueen and Colin Peebles.

2. Declarations of interest

There were no declarations of interest.

3. Decisions on taking business in private

It was proposed that items 9 to 11 should be taken in private as they contained draft reports and confidential issues.

4. Minutes of meeting of 14 March 2013

The minutes of the meeting of 14 March 2013 were submitted and approved.

5. Chair's introduction

The Chair reported that:

- On 13 March he undertook various activities with the media in relation to the report *Major capital investment in councils*, which was published on 14 March.
- On 21 March he attended a meeting of the Audit Scotland Board.
- On 27 March, he undertook various activities with the media in relation to the *Local government overview* report, which was published on 28 March.
- Also on 27 March he, along with the Auditor General, briefed the Scottish Parliament's Public Audit Committee on the report on *Improving community planning in Scotland*.
- On 10 April he, along with the Auditor General, attended a meeting of the National Community Planning Group. The Group considered the same report.

Further in this regard, the Chair advised that he would be writing to the Chair of the National Community Planning Group to underline the need for it to take forward the range of actions set out in the report.

6. Update report by the Controller of Audit

The Commission considered a report by the Controller of Audit providing an update on significant recent activity in relation to the audit of local government.

During discussion the Commission agreed:

- That a representative of the Health and Social Care Alliance Scotland be included in the schedule of guest speakers for Commission meetings.
- That the Improvement Service's evaluation of its project to support self assessment and improvement planning in community planning partnerships be circulated to members.

Action: Secretary and Business Manager

Thereafter the Commission agreed to note the report.

7. Format and distribution of reports

The Commission considered a report by the Director of Performance Audit providing an update on the new format for national reports and the move to electronic distribution of reports.

During discussion the Commission agreed:

- That research in relation to internet usage be examined to ensure that the risk of excluding sections of the population from published reports is being managed.
- That Commission members continue in future to receive on request a hard copy of any published reports.
- That online versions of reports include as many navigational aids, such as a 'return to start' option, as is practicable.
- Approved the proposals in the report.
- Agreed that a group of members be convened, consisting of Michael Ash, Jim King and Douglas Sinclair, to review the standard introductory text used in published reports.
- To note advice from the Chair that, following discussions between him and Audit Scotland, appropriate use of the Commission logo and report description will be applied to all reports to Commission meetings and subsequent published reports.

Thereafter the Commission agreed to note the report.

8. Any other business

The Commission noted that there was no other business to be considered.

9. Equality outcomes and mainstreaming equalities [in private]

The Commission agreed that this item be held in private to allow it to consider draft reports.

The Commission considered a report by the Chair of Audit Scotland's Diversity and Equality Steering Group proposing that the Commission, as a listed public authority covered by the specific duties in the Equality Act 2010, approve draft reports on (i) its equality outcomes and (ii) mainstreaming equalities.

During discussion, the Commission agreed:

- To approve the draft reports, subject to a number of points raised in discussion being reflected in the reports.
- That a six-monthly update on progress in relation to the issues set out in the report be made to the Commission.

Action: Chair, Audit Scotland Diversity and Equality Steering Group

10. Managing early departures in the Scottish public sector [in private]

The Commission agreed that this item be held in private to allow it to consider a draft report.

The Commission considered a draft report by the Controller of Audit on Managing early departures from the Scottish public sector, prepared jointly on behalf of the Accounts Commission and the Auditor General.

Following discussion, the Commission agreed:

- To approve the draft report, subject to a number of points raised in discussion being reflected in the report.
- That the audit team liaise with the report's sponsors, Sandy Cumming and Jim King, and the Chair and Deputy Chair, in completing a final draft of the report.

Action: Controller of Audit

- To note advice from the Controller of Audit that issues around the motivation behind the use of early departures, such as expediency rather than as part of robust business planning, will be explored in more detail in the forthcoming performance audit *Scotland's Public Finances: workforce planning*.
- Agreed that, notwithstanding this, such an issue still be referred to in the *Managing early departures* report.
- To note advice from the Controller of Audit that he would consider how to ensure involvement of trade union and staff interests in the clearance procedure for the report.
- Further in this regard to note advice from the Director of Performance Audit that Unison are part of the reference group for the forthcoming performance audit *Scotland's Public Finances: workforce planning*.
- To note advice from the Controller of Audit that he would consider how to investigate in a piece of future work the different levels of enhancements used in early departure schemes.
- That it further consider at a future meeting how it wishes to make use of this style of report.

Action: Secretary and Business Manager and Controller of Audit

The Chair thanked the audit team for its work.

11. Roads maintenance follow-up – an audit update [in private]

The Commission agreed that this item be held in private to allow it to consider a draft report.

The Commission considered a report by the Director of Performance Audit proposing a draft 'audit update' report on progress made since publication of *Maintaining Scotland's roads: a follow-up report*, in February 2011.

Following discussion, the Commission agreed:

- To approve the draft report, subject to a number of points raised in discussion being reflected in the report.

- That the audit team liaise with the report's original sponsors, Jim King and Christine May, in completing a final draft of the report.

Action: Director of Performance Audit

- That an update on progress in relation to the issues set out in the report be made to the Commission in around 18 months' time.
- To note advice from the Controller of Audit that roads maintenance features in the SOLACE benchmarking indicators project.
- That the Director consider how to ensure appropriate engagement with stakeholders, particularly COSLA, in relation to disseminating messages in the published report.

Action: Director of Performance Audit

The Chair thanked the audit team for its work.

DRAFT

ACCOUNTS COMMISSION

MEETING 9 MAY 2013

REPORT BY CONTROLLER OF AUDIT

UPDATE REPORT

Introduction

1. The purpose of this regular report is to provide an update to the Commission on significant recent activity in relation to the audit of local government.
2. It is intended to complement the intelligence reports to the Financial Audit and Assurance Committee, which provide a more detailed update on issues arising in local government.
3. The most recent such report was at the Committee meeting of 28 February 2013.

Local government issues

Shared Risk Assessment and scrutiny improvement

4. The National Scrutiny Plan and assurance and improvement plans (AIPs) for 31 of the 32 councils and were published on 25 April. The AIP for City of Edinburgh Council will be completed following the publication of the Care Inspectorate's report on services for children and young people and the forthcoming Best Value audit report.
5. The Local Government Scrutiny Co-ordination Strategic Group has begun work on the four workstreams it has established to continue improving scrutiny in Scotland by:
 - reviewing the shared risk assessment process to:
 - embed it more effectively with scrutiny bodies' risk assessment and business planning arrangements
 - improve consistency of application of the shared risk assessment (SRA) process and strengthen the SRA QA arrangements
 - consider the merits of developing a partnership-based SRA model in light of the public service reform agenda emphasis on partnership, place, people and performance
 - designing a locality-based audit and inspection framework to assess the quality, impact and effectiveness of local public services
 - improving the use of information and intelligence across scrutiny bodies for both risk assessment and performance reporting purposes
 - developing a common understanding and approach to supporting self evaluation and improvement within public bodies in line with our commitment to the Reducing Burdens Action Group recommendation to use self evaluation information to inform scrutiny activity
6. Presentations on the first two workstreams were made to the Strategic Group at its April meeting. Presentations on the remaining two workstreams will be made at the

next meeting. The aim is to develop outline recommendations for change in all four workstreams by the end of the year. I will continue to keep the Commission informed as the work progresses.

Community Planning

7. On 10 April I attended a meeting of the National Community Planning Group alongside the chair of the Commission (the chair) and the Auditor General for Scotland (AGS). The chair briefed the meeting on the conclusions and recommendations in the national key messages report. The report was very positively received by the group. Pat Watters, the chair of the group described it as a “call to arms” which “sets the agenda” for the national group. The national group has agreed to write to all 32 CPPs highlighting the importance of focusing on the effective shared use of resources, setting an expectation that all partners discuss their budget plans and shared partnership improvement priorities in advance of their formal budget setting processes taking place later in the year.
8. Audit Scotland has also supported the chair and the AGS in providing evidence to two parliamentary committees relating to our CPP work. On 27 March the Public Audit Committee took in the national key messages report ‘*Improving community planning in Scotland*’. On 24 April the Local Government and Regeneration Committee took evidence as part of its public service reform inquiry focusing on the findings of the CPP audits, particularly those covering how barriers to improvement can be overcome.
9. The Scottish Government and COSLA are currently in developing a joint quality assurance process for the current round of Single Outcome Agreements (SOAs) following guidance issued in December 2012. The process is likely to involve a formal review by a panel of experts to provide constructive feedback to individual CPPs on areas of strength and opportunities for improvement on each SOA. All 32 SOAs are expected to be ‘signed-off’ by council leaders and Scottish ministers by the end of June.
10. Commission members will remember that Rocket Science have been appointed to undertake an independent evaluation of the three early CPP audits on behalf of Audit Scotland. This evaluation work is underway, with interviews with the majority of external stakeholders scheduled now completed. The independent evaluation report is due to be considered by the Commission at its June meeting.

Current activity in local government

11. I have received some good responses to the publication of the report ‘*Responding to challenges and change - An overview of local government in Scotland 2013*’. The report received good press coverage including a mention in the ‘*Public Finance*’ magazine. It was also the subject of a blog by Dave Watson of Unison summarising the report. It ended by stating that it was “a useful overview of the finances, workforce and assets of Scotland’s councils. It starkly sets out the challenges facing local government and should be essential reading for anyone interested in Scotland’s councils.”
12. COSLA has issued a statement in support of the Scottish Government’s Children and Young People Bill. The statement highlights proposals to increase the number of hours of early learning and childcare. It notes however that the Bill is a complex piece of legislation with significant implications which could cost local authorities £100 million per year. COSLA therefore urges Parliament to scrutinise the Bill and its financial assumptions closely over the coming months.

13. The first in a series of briefing notes on welfare reform for elected members has been produced by the Welfare Reform Implementation Support Programme (WRISP).
14. WRISP is a jointly funded programme between the Improvement Service and the Scottish Government and is supported by CoSLA. The briefing note provides a detailed overview of the welfare reform agenda, including:
 - A timeline of all the welfare reform changes
 - Key challenges and key messages for elected members flowing from welfare reform
 - The implications of welfare reform for local authorities and elected members including:
 - new operational and service requirements
 - service implications and consequences
 - indirect and wider long term consequences for local communities.
15. The Care Inspectorate's report on the Services for Children and Young People in the City of Edinburgh was published on 29 April. The report records the results of a pilot joint inspection by the Care Inspectorate, Healthcare Improvement Scotland and HM Inspectorate of Constabulary for Scotland. This is the first of a series of these joint inspections which are being undertaken at the request of the Scottish Government.

People update

16. Alistair Dodds, the Chief Executive of Highland Council, is leaving at the end of August. A recruitment process for his successor is underway.
17. Steve Grimmond will become Chief Executive at Fife Council in July. He is currently the council's Executive Director of Environment, Enterprise and Communities.
18. Councillor Paul Edie has been appointed as Chair of the board of the Care Inspectorate. He is an elected member of City of Edinburgh Council and will also sit on the boards of the Scottish Social Services Council and Healthcare Improvement Scotland.
19. Brian Houston has been appointed as Chair of the Lothian Health Board. Mr Houston is a qualified accountant with experience in both the private and public sectors. He has also served as a non-executive chairman and director of several private companies and spent eight years on the board of Visit Scotland.
20. Allan Burns took over from Professor Jim McGoldrick as the Chairman of NHS Fife on 1 May. Mr Burns has extensive experience as a chief executive and non-executive director and was previously Executive Director of Diageo in Scotland and its Global Procurement Director.
21. Following restructuring within the Scottish Government with effect from 20th May:
 - Ian Davidson will become Deputy Director of the Public Service Reform and Public Bodies Division including responsibility for Community Planning and community empowerment

- Stephen Gallagher will become Deputy Director of the Local Government Division.

Other Audit Agencies

National Audit Office

22. The National Audit office has published a factsheet on recent developments in internal audit in central government. It covers a number of changes including the introduction of grouped internal audit services and the adoption of new internal audit standards by central government.

Audit Commission

23. The Audit Commission has announced that it will retender audit contracts worth £25.2 million a year. The contracts currently held by audit firms were initially awarded in 2006 and 2007 and extended in 2010. They represent about 30 per cent of the total local audit work carried out in England.
24. The other 70 per cent of the market was outsourced in 2012, having been previously carried out by the Commission's then in-house Audit Practice. The outcome of the competitive process in 2012 enabled the Commission to reduce statutory audit fees by up to 40 per cent. Over five years, those new contracts are expected to save local public bodies some £250 million.
25. In light of these savings the Commission believes that, by terminating the 2006 and 2007 contracts and retendering, it can obtain greater reductions for all bodies, for longer. The new arrangements will come into effect from the audit of the accounts for 2015/16.

Wales Audit Office

26. During March and April 2013, the Auditor General for Wales published Annual Improvement Reports for 28 local authorities, including local councils, national parks, and fire and rescue services in Wales. The reports look at how well the organisations are planning for improvement and delivering their services.
27. The reports draw on the work of other relevant Welsh inspectorates, Estyn, and the Care and Social Services Inspectorate for Wales; as well as work undertaken on behalf of the Wales Audit Office. The reports also set out the progress each authority has made since the Auditor General published his last Annual Improvement Report and draw on each Authority's own self-assessment.

Conclusion

28. The Commission is invited to consider and note this report.

Fraser McKinlay
Controller of Audit
1 May 2013

ACCOUNTS COMMISSION

MEETING 9 MAY 2013

REPORT BY ASSISTANT AUDITOR GENERAL

WELFARE REFORM UPDATE

Purpose

1. The purpose of this report is to provide the Accounts Commission with a further update on the welfare reform agenda and specifically on Scottish councils' preparedness for the upcoming changes.

Background

2. Following discussion with the Accounts Commission in late 2012, Audit Scotland issued a questionnaire to the Chief Executives of all 32 Scottish councils in January 2013. This questionnaire was designed to gather councils' views on the significance of welfare reform, and their preparedness for the upcoming changes.
3. The questionnaire asked Chief Executives for their response to ten questions based around the following four headings:
 - Significance of welfare reform
 - Planning
 - Communication
 - Working with others.
4. All 32 questionnaires were returned to Audit Scotland by 31 March 2013 and the attached report summarises the responses.

Summary

5. Overall the responses indicate that all councils are taking the issue of welfare reform seriously, that they all regard it as a significant risk and that they are all taking steps to address the risks and communicate with those affected by the changes and in many cases partner organisations. It is also clear that councils still consider there to be a number of uncertainties about the implementation timetable and the on-going expectations of the UK Government for the role that councils will have to play in the future.
6. Following consideration of the report by the Commission we will share the report with councils to enable them to learn about the different approaches taken across Scotland.

Recommendation

7. The Commission is invited to note the welfare reform update report.

Russell Frith
Assistant Auditor General
30 April 2013

Welfare Reform Update



Prepared for the Accounts Commission
May 2013



Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Purpose

1. The purpose of this report is to provide the Accounts Commission with a further update on the welfare reform agenda and specifically on Scottish councils' preparedness for the upcoming changes. This includes:
 - details of the significance placed by councils on welfare reform
 - what plans are in place to implement and manage the changes including details of issues affecting the ability of councils to plan effectively
 - how the welfare reform changes are being communicated to customers and the councils' key internal and external stakeholders, and;
 - information on the likely impact on the local economy by 2014/15.

Background

2. The UK Government's Emergency Budget in June 2010 and the October 2010 Comprehensive Spending Review introduced a number of welfare reforms that were expected to save around £18 billion per annum by 2014. The Scottish Government (SG) previously estimated that these welfare reforms may take £2.5 billion out of the Scottish economy. However, a recent report commissioned by the Scottish Parliament in April 2013 has revised this figure to £1.6 billion excluding the effect of changing annual uprating from the Retail Price Index (RPI) to the Consumer Price Index (CPI), or £2 billion including RPI to CPI.
3. The Welfare Reform Act received Royal Assent on 8 March 2012. The Act aims to improve work incentives, simplify the benefits system and to deliver planned savings. This is the biggest reform of the UK welfare system for 60 years, promises to affect millions of households, and will result in a number of significant changes to the way councils deliver services.
4. The Scottish Parliament has responded to welfare reform by setting up a special Welfare Reform Committee which has taken the lead role in scrutinising draft legislation required to ensure that passported benefits such as free school meals will still be available in Scotland once Universal Credit (UC) is implemented. The Committee has also undertaken work on the impact of welfare reform and led a debate in the full Scottish Parliament on 23rd April 2013.
5. Following discussion with the Accounts Commission in late 2012, Audit Scotland issued a questionnaire to the Chief Executives of all 32 Scottish councils in January 2013. This questionnaire was designed to gather councils' views on the significance of welfare reform, and their preparedness for the upcoming changes.
6. For the purpose of this report, welfare reform includes all changes to the Department for Work and Pensions (DWP) benefits, the Council Tax Reduction Scheme (CTRS), Tax Credits, and the Scottish Welfare Fund (SWF). However, the financial impact of the CTRS has yet to be

passed on to local authorities and claimants. The 10% cut in the value of Westminster funding for council tax benefit payments equates to approximately £40 million in 2013-2014 and is being funded jointly by the SG and from councils' other resources.

7. The questionnaire asked Chief Executives for their response to ten questions based around the following four headings:
 - Significance of welfare reform
 - Planning
 - Communication
 - Working with others.
8. All 32 questionnaires were returned to Audit Scotland by 31 March 2013 and the responses were analysed. The results of this analysis are provided below.

Summary

9. The responses to Audit Scotland's questionnaire clearly showed that all 32 Scottish councils had already carried out a significant amount of work to plan for and mitigate against the impact of the changes arising from the welfare reform agenda. In summary we found that:
 - all councils recognised welfare reform as a risk
 - all councils had information on the financial impact of welfare reform, and some had already carried out detailed financial analysis of the impact in respect of each of the welfare reform changes
 - all councils had established a working group or similar structure to work in partnership with key internal and external stakeholders to manage the implementation of the welfare reform changes
 - all councils recognised that despite the information already received from the DWP, there remained major uncertainties which made it difficult to plan effectively for the upcoming changes. In particular, the lack of information from the DWP in respect of the migration timeline from housing benefit (HB) to UC, and the level of support councils would be expected to provide to customers going forward were cited as major uncertainties
 - all councils are acutely aware of the need to communicate the welfare reform changes, and are using a variety of methods to communicate with benefit recipients, landlords, and external stakeholders, including community planning partners and representatives from third sector agencies.
 - all councils have been engaging at varying levels with the Convention of Scottish Local Authorities (COSLA), the SG, and the DWP on welfare reform issues.
10. It is clear from the responses to Audit Scotland's questionnaire that Scottish councils are placing due importance on the significance of the welfare reform agenda, taking appropriate action to ensure that customers and key stakeholders are involved in all stages of the process,

and where possible, actions are being taken to address the risks posed by the implementation of welfare reform.

Welfare reform changes

Significance of welfare reform

Is welfare reform on the council's risk register either at a corporate or departmental level and if so, how significant does the council consider the risk?

11. Twenty nine of the thirty two councils (91%) reported that welfare reform was on a corporate or departmental risk register. Of the three councils that did not have welfare reform on either a corporate or departmental risk register, Dumfries and Galloway Council stated that it had been highlighted as an area to add for the forthcoming year, Falkirk Council reported that it was in the process of adding it to its corporate and service risk registers, and North Lanarkshire Council advised that its risk registers were currently being reviewed and that welfare reform was a significant risk that was being evaluated as part of that process.
12. In terms of the significance of the risk, councils differed in their assessment and use of terminology when describing the risk. Figure 1 below details the responses.

Figure 1: Assessment of the risk of the changes arising from the welfare reform agenda

Description of risk	Number of responses
Major	4
Very high	1
High	7
Top risk	2
Significant	9
Red	1
Medium	6
Not stated	2

Audit Scotland and Scottish councils

13. Where the risk has been recorded as 'not stated', this is because the council's response was not explicit about the level of risk it had attributed to the welfare reform changes. It is clear from the responses that the welfare reform changes are considered to be a significant risk to the majority of councils and that this risk is recorded in either a corporate or departmental risk register.

Does the council have any information on the financial impact of welfare reform on its area?

14. All thirty two councils reported that they had information on the financial impact of welfare reform in respect of their area. Twenty nine councils (91%) provided detailed information with the remaining three councils indicating that work had been carried out although no financial information was provided.
15. It is clear from the responses that most councils have carried out a significant amount of detailed work to estimate the impact of the welfare reform changes in respect of revenue streams, customer's income, relationships with key stakeholders, and on the local economy.
16. The effects of the welfare reform changes are causing councils great concern in terms of the reduced benefit payable to customers, the subsequent increase in the amount of rent to be collected, and consequently an increase in the value of rent arrears. For example:
 - North Ayrshire Council reported that in respect of the accommodation size criteria, 2,650 tenants would be affected resulting in an estimated reduction in benefit of approximately £1.2 million per year, and an increase in rent arrears of approximately £446,000. Using these figures, the council estimated that it would take nine years to downsize all affected tenants based on current turnover rates
 - Scottish Borders Council reported that the change from the Disability Living Allowance (DLA) to the Personal Independent Payment (PIP) would impact on approximately 5,450 of its customers and result in an estimated loss of £4 million of benefits payable to these customers
 - based on tenants potential behaviour, Fife Council estimated that the loss in benefits to council tenants of approximately £5.5 million per annum would result in a potential annual rent loss of £2.2 million.
17. In October 2012, the Scottish Parliament commissioned the Centre for Regional Economic and Social Research at Sheffield Hallam University to produce a report on the impact of welfare reform in Scotland. This report was published in April 2013 and estimated that the welfare reforms will take out £1.6 billion from the Scottish economy by 2014/15, which equates to approximately £480 per year for every adult of working age.
18. Appendix A shows the estimated annual losses identified by the research for each council.

Planning

How is the council planning for welfare reform?

19. All thirty two councils have established a working group or similar to plan for the changes arising from the welfare reform agenda with many working in partnership with key internal and external stakeholders. These include representatives from:
 - DWP
 - Housing
 - Community Education

- Employability and Money Advice services
- National Health Service
- Police.

How is the council structuring its response?

20. All thirty two councils provided a response to this question, with nearly all reporting that they have established some form of partnership working to ensure a cohesive approach to delivering the changes arising from the welfare reform agenda. For example, twenty seven councils (84%) reported the formation of a welfare reform working group, with four specifically stating that this group was a cross-service working group. Of the five councils that had not explicitly specified a working group structure:
- Aberdeen City Council have established a programme board led by the Director of Social Care and Wellbeing and supported by a programme management office to mitigate against the adverse effects and risks of welfare reform
 - Falkirk Council advised that a number of work streams had been developed
 - Renfrewshire Council have established a corporate welfare reform programme under the stewardship of the corporate management team reporting to the leadership board
 - West Dunbartonshire Council have established a governance structure to manage its welfare reform work streams
 - Inverclyde Council have setup a project board chaired by the Chief Financial Officer which oversees the operational implementation of welfare reform supported by regular reports to the corporate management team and members.
21. It was also noted that Aberdeenshire Council has appointed three project officers to work in a collaborative cross service way to avoid duplication of effort, while the Highland Council had invested £300,000 for additional in-house posts in Housing, Money Advice and Income Maximisation services. This investment included £100,000 for the Citizens Advice Bureau.

What is considered to be the major remaining uncertainties that would affect the ability to plan effectively for the changes?

22. All thirty two councils responded to this question with a variety of differing views on the uncertainties which could affect the council's ability to plan effectively. Figure 2 below details some of these responses.

Figure 2: Issues affecting council's ability to plan effectively

Unknown level of need for the SWF
Lack of information on the rollout and migration to UC
Interim nature of the CTRS
The CTRS process for second tier appeals

Figure 2: Issues affecting council's ability to plan effectively

Lack of clarity in respect of progress towards the Single Fraud Investigation Service (SFIS)
Lack of information on the level of support councils are expected to provide in respect of UC and on the level of funding that would be provided
Unknown impact on the councils discretionary housing payments (DHP) budget and other services
Lack of information in respect of the introduction of the PIP

Audit Scotland and Scottish councils

Communication

How are the welfare reform changes being communicated to benefit recipients?

23. All thirty two councils provided a response to this question and it is clear from the responses that councils are acutely aware of the need to communicate with benefits recipients. In order to ensure that customers are aware of the changes, a variety of different approaches have been used. Figure 3 below details the different ways in which councils have contacted customers to provide advice and guidance on the welfare reform changes.

Figure 3: Communication methods

Description	Number of responses
Information leaflets/posters	22
Letters issued to customers	21
Home visits	18
Council website	17
Local press and media	14
Information events/seminars	8
Use of social media	7
Telephone calls	4
Benefits surgeries	3
Texts	1

Audit Scotland and Scottish councils

24. Although most councils followed a standard approach to communicating with customers by using leaflets/posters, letters, or a visit, Dundee City Council has developed innovative ways of making sure customers and staff were aware of the changes arising from the welfare reform agenda. This included:

- developing an e-learning module and placing it on the council website for staff and customers to access
- using SG funding to pilot a welfare reform 'health check' in frontline offices from March 2013. Staff ask customers a series of questions and the responses generate a welfare reform action plan outlining the potential impact on the customer, and providing information on where to get further advice and support.

How are the welfare reform changes being communicated to other stakeholders such as private landlords, housing associations and third sector agencies?

25. All thirty two councils provided a response to this question. In general most councils have been very proactive in respect of ensuring that private landlords, housing associations, and third sector agencies are involved in the process of preparing for welfare reform and a number of different communication channels were being used to good effect. These included:
- providing presentations to local forums. For example:
 - strategic housing forum
 - tenants federations
 - private landlord forums
 - homeless intransigency forum
 - welfare reform seminars specifically for stakeholders
 - providing stakeholders with dedicated welfare reform training and awareness sessions
 - ensuring regular welfare reform updates are included in private landlord newsletters or discussed at landlord forums.
26. To provide a platform for collaborative working, in some cases, representatives from housing associations and third sector agencies have been invited to form part of the council's welfare reform working groups. In addition to the above, Fife Council has established an information helpline, while South Ayrshire Council has developed a welfare reform contacts directory which contains relevant contact details for key council services.

How are the welfare reform changes communicated to elected members and how have they been involved in the process?

27. Elected members will play an important role following the implementation of the changes arising from the welfare reform agenda as there is potential for increased contact by constituents adversely affected by the changes.
28. All thirty two councils responded to this question. To ensure that members are in a position to provide advice and guidance to their constituents, all councils have provided members with regular briefings, presentations, reports, or training and awareness on welfare reform. Clackmannanshire Council ensures that members receive copies of all press releases, briefings, publicity and training material as a matter of course, while Dumfries and Galloway, North Ayrshire, North Lanarkshire, Scottish Borders, and South Ayrshire Councils reported that they had developed information packs specifically for members.

29. It is clear that councils place great importance on the need for members to be part of the process of change and that scrutiny is an essential aspect of ensuring that the council delivers the right kind of service to its customers going forward.

Working with others

How has the council included welfare reform in its discussions with community planning partners?

30. All thirty two councils provided a response to this question. As with the other forms of communicating with key stakeholders, councils reported that contact with community planning partners was an essential part of the process with eight councils reporting that community planning partners were involved in, or had key links with internal welfare reform working groups.
31. Nineteen councils reported that community planning partnerships have received presentations and briefings from council staff, or the DWP on the impact of welfare reform, and in some cases, additional seminars and information events are being planned specifically for community planning partners.
32. East Ayrshire Council has already provided a number of open sessions on welfare reform to a range of staff across its community planning partnership which had been over subscribed. As such, the community planning partnership has identified welfare reform as a key challenge and has recently incorporated this as a risk within its own risk register.
33. The Scottish Borders Council has integrated its welfare reform programme into the local community planning process under the theme of 'Future model of public service delivery'. This theme is managed by a joint delivery team comprising of senior executives from partner organisations and the council's Chief Executive.

What involvement has the council had with wider welfare reform groups set up by the Scottish government, COSLA, DWP etc?

34. All thirty two councils provided a response to this question.
35. Communication and involvement with the SG, COSLA, and the DWP is important if councils are to ensure that the welfare reform changes are implemented and issues arising are managed effectively and efficiently.
36. All councils reported involvement with the SG, COSLA and DWP on welfare reform although the level of involvement differs from council to council. For example:
- Aberdeen City Council has seconded two officers to the DWP to work specifically on welfare reform
 - Clackmannanshire Council's revenues team manager plays a leading role in the IRRV, and is an advisor to COSLA on taxation and benefits
 - elected members from Fife Council participate in COSLA's Executive groups where welfare reform has been widely discussed.

How has the council engaged with other local agencies such as Jobcentre Plus (JCP) and local charities?

37. All thirty two councils provided a response to this question and it is clear that councils have a close working relationship with JCP managers and staff with 19 councils reporting that officers from JCP form part of their welfare reform working groups.
38. East Ayrshire Council reported that it was exploring work options with third sector agencies such as food banks and furniture recyclers, while Clackmannanshire Council held a welfare reform event specifically for third sector agencies which was attended by over 100 people representing over 30 organisations.

Appendix A: Impact of welfare reform on the Scottish economy by 2014/15

Council	Estimated loss per annum	Loss per working age adult per annum
Aberdeen City	£52,000,000	£330
Aberdeenshire Council	£49,000,000	£300
Angus Council	£30,000,000	£410
Argyll and Bute	£24,000,000	£430
Clackmannanshire	£18,000,000	£550
Dumfries & Galloway	£44,000,000	£480
Dundee City	£58,000,000	£600
East Ayrshire	£43,000,000	£540
East Dunbartonshire	£22,000,000	£340
East Lothian	£27,000,000	£430
East Renfrewshire	£20,000,000	£350
Edinburgh	£135,000,000	£400
Eilean Siar	£6,000,000	£380
Falkirk	£48,000,000	£470
Fife	£113,000,000	£480
Glasgow City Council	£269,000,000	£650
Highland	£60,000,000	£410
Inverclyde	£33,000,000	£630
Midlothian	£25,000,000	£480
Moray	£21,000,000	£360
North Ayrshire	£51,000,000	£580
North Lanarkshire	£123,000,000	£560

Council	Estimated loss per annum	Loss per working age adult per annum
Orkney Islands	£5,000,000	£350
Perth and Kinross	£36,000,000	£380
Renfrewshire	£60,000,000	£530
Scottish Borders	£29,000,000	£400
Shetland Islands	£4,000,000	£290
South Ayrshire	£35,000,000	£500
South Lanarkshire	£104,000,000	£510
Stirling	£22,000,000	£380
West Dunbartonshire	£36,000,000	£600
West Lothian	£57,000,000	£490
Total	£1,660,000,000	£480

The Impact of Welfare Reform in Scotland - Sheffield Hallam University

ACCOUNTS COMMISSION

MEETING 9 MAY 2013

COVER NOTE BY SECRETARY AND BUSINESS MANAGER

AUDIT OF BEST VALUE: CITY OF EDINBURGH COUNCIL

Purpose

1. The purpose of this report is to introduce the Best Value audit report on the City of Edinburgh Council. The Commission is invited to consider the report and decide how it wishes to proceed.

Background

2. At its meeting on 13 December 2012, the Commission considered a report by the Controller of Audit on the 2011/12 audit of the City of Edinburgh Council. The Commission:
 - Agreed that it wished to continue to closely monitor the performance of City of Edinburgh Council.
 - Noted that the Controller of Audit was currently undertaking a Best Value audit of the Council.
 - Having considered the options open to it when receiving a report from the Controller of Audit, agreed to take none of these options but to note that further information on the Council's performance against its Best Value duty would be forthcoming in the Controller of Audit's Best Value audit report.
 - Noted meantime the matters highlighted by the Controller of Audit in his report.
 - Agreed that these matters be considered further at a future meeting, in the context of the Best Value audit report.

The report

3. The attached report to the Commission is made by the Controller of Audit under section 102(1) of the Local Government (Scotland) Act 1973 (as amended by subsequent legislation including the Local Government in Scotland Act 2003).
4. The legislation enables the Controller of Audit to make reports to the Commission with respect to:
 - a) the accounts of local authorities audited under the Act;
 - b) any matters arising from the accounts of any of those authorities or from the auditing of those accounts being matters that the Controller considers should be considered by the local authority or brought to the attention of the public.
 - c) the performance by a local authority of their statutory duties in relation to best value and community planning.
5. A copy of the report is being sent to the Council, which is obliged to supply a copy to each elected member of the Council and to make additional copies available for public inspection. Once the Controller of Audit's report is sent to the Council it is effectively in the public domain.

Procedure

6. The legislation provides that, on receipt of a Controller of Audit report, the Commission may do, in any order, all or any of the following, or none of them:
 - (a) direct the Controller of Audit to carry out further investigations;
 - (b) hold a hearing;
 - (c) state its findings.
7. Members of the audit team will be present at the Commission's meeting and will be available to answer questions on the evidence presented in the report.

Conclusion

8. The Commission is invited to:
 - consider the report by the Controller of Audit on the audit of Best Value in relation to City of Edinburgh Council; and
 - decide how it wishes to proceed.

Paul Reilly
Secretary and Business Manager
30 April 2013

The Audit of Best Value and Community Planning

The City of Edinburgh Council



Prepared for The Accounts Commission by the Controller of Audit

May 2013

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Commission findings

Part 1. The audit of best value

Best Value and Community Planning

1. The Local Government in Scotland Act 2003¹ introduced the statutory duty of Best Value in local government. In response, the Accounts Commission began the audit of Best Value and Community Planning. We have published a first round of Best Value (BV) audit reports on all 32 councils in Scotland.
2. We carry out and report this next phase of BV audits under the same legislation but the approach has moved on considerably from the 32 baseline audits. In particular, the audits are:
 - based on discussions with colleagues from other local government inspectorates that form a Local Area Network (LAN)
 - more focused on the risks identified by the LAN and the particular issues faced by individual councils
 - designed to provide a more rounded view of how well the council is working with partner organisations, such as health, police and voluntary organisations to make improvements for local communities.

The City of Edinburgh Council 2007 audit report

3. The first BV audit report on the City of Edinburgh Council was published in January 2007². The audit concluded that the City of Edinburgh Council had a clear and ambitious vision for the city and faced a range of challenges to continued growth, in particular providing an effective transport infrastructure and increasing the supply of affordable homes. Councillors and senior officers were generally providing strong and effective leadership and the council was working well with partners. Our report also highlighted that council services were generally improving, although from a low starting point in some areas. It identified that there was a need for:
 - continued action to improve community planning
 - a more council-wide approach to workforce planning
 - longer-term financial planning
 - wider use of performance information throughout the council to report on the progress of initiatives and projects.

¹ <http://www.hmsso.gov.uk/legislation/scotland/acts2003/20030001.htm>

² http://www.audit-scotland.gov.uk/docs/local/2006/bv_070227_edinburgh.pdf

4. Services that most needed improvement were refuse collection, planning and some aspects of adult social care.
5. The 2007 BV report concluded that the council needed to put in place and develop its programme of improvement work to provide a clear focus for investment and action.

The City of Edinburgh Council audit scope

6. BV is an important part of the wider scrutiny arrangements of councils in Scotland. Audit Scotland works closely with other local government inspectorates in the LAN. The LAN process results in each council receiving an Assurance and Improvement Plan (AIP) each year that sets out the scrutiny activity the council can expect.
7. In developing the scope of our audit, we took account of the areas identified in the 2012–15 City of Edinburgh Council AIP³. We also reviewed the 2007 BV audit report, the external audit report for financial year 2011/12⁴, as well as the council's plans, strategies and performance reports. The council provided a submission in advance of the audit that shows a good understanding of the challenges it faces, its strengths and what needs to improve.
8. The audit therefore focused on:
 - progress since the previous BV audit in 2007
 - the difference working with partners is having on services and outcomes
 - changes in political and managerial leadership and how the council is organised, and the effect of those changes on how well the council works
 - how well councillors are holding the political administration and council officers to account for service performance and the use of resources.
9. The 2012–15 AIP also identified three specific areas of significant scrutiny risk:
 - The tram project: the AIP noted satisfactory progress since a settlement agreement was signed in September 2011. However, given the complexity of the contract and the history of problems, the AIP noted that there are still risks of further delays and over-spending.
 - Alternative Business Models (ABM): ABM was a plan to deliver services in partnership with the private sector. The council initially identified three services (facilities management, environmental services and corporate and transactional services) for inclusion in ABM. The AIP noted that the implications of the council's decision not to proceed with ABM are important relative to its ability to meet future funding gaps.
 - Statutory repairs service: the AIP noted an ongoing investigation into the statutory repairs service. The AIP also stated that the council is taking action, including service redesign, but that risks remained of further reputational damage and financial loss from difficulties in recovering repair costs from owner-occupiers.

³ http://www.audit-scotland.gov.uk/docs/best_value/2012/aip_120516_edinburgh.pdf

⁴ http://www.audit-scotland.gov.uk/docs/local/2012/fa_1112_edinburgh_city.pdf

10. In December 2012, the Controller of Audit reported to the Accounts Commission⁵ on matters arising from the 2011/12 audit of the City of Edinburgh Council. The Controller's report referred to the tram project, ABM and statutory repairs. The Commission noted the Controller's report and agreed to consider these matters further at a future meeting, in the context of the BV audit report.
11. There is likely to be a public inquiry into the tram project. The external auditors will continue to monitor the action taken by the council to address the funding gap arising from its decision not to proceed with ABM. The council, assisted by external consultants, carried out a detailed investigation into the statutory repair service. Consequently, we did not investigate these matters during the BV audit but we did consider their effect in making judgements about leadership and governance. The main references to the tram project are in the context section of this report (Part 3). The main references to the ABM and statutory repairs are in the use of resources section (Part 6).

About this audit report

12. We carried out the BV audit of the City of Edinburgh Council between October 2012 and March 2013. The scoping work was completed in November 2012 and the team carried out interviews, observations and focus groups at the council in December 2012 and January 2013.
13. We gratefully acknowledge the co-operation and assistance provided to the audit team by the chief executive, Sue Bruce, the leader and depute leader of the council, Councillor Andrew Burns and Councillor Steve Cardownie respectively, the council's partners who we met as part of the audit, and all other councillors and staff involved.

⁵ Report by the Controller of Audit to the Accounts Commission under section 102(1) of the Local Government (Scotland) Act 1973 - The 2011/12 audit of the City of Edinburgh Council

Part 2. Overall conclusions

14. We published the first Best Value audit report on the City of Edinburgh Council in 2007. Since then, the council has had to deal with significant and high profile problems that have damaged public confidence in the council and its reputation. These include contractual disputes arising from the tram project and serious difficulties in its statutory repairs service.
15. The council's financial position is also very challenging. The position became more pressing when the council decided not to externalise certain services. The council has identified alternative savings and has long-term plans in place to balance its budget.
16. The council's prospects for future improvement depend heavily on it achieving planned savings and addressing the funding gaps that remain. Its prospects also depend on more effective workforce management, improvements in Information and Communications Technology (ICT) and on it ensuring that it has the right level of staff skills and capacity to support improvement.
17. The council shows a strong understanding of what it needs to do to meet the service and financial issues it faces, the scale and complexity of which are substantial. These issues have absorbed a large amount of senior manager time and presented major challenges for the council at a time when it has an ambitious improvement programme under way.
18. The coalition administration set clear priorities and provides effective political leadership. It has a strong focus on improving outcomes, such as reducing poverty, inequality and deprivation. The coalition is also committed to being more open with the public and with opposition councillors. More widely, councillors demonstrate a strong, cross-party commitment to restoring public confidence in the council following the problems with trams, statutory repairs and more recent concerns about practices at the Mortonhall crematorium.
19. A new chief executive started at the council in January 2011. She has had a significant influence on increasing the pace of change and improvement in the council. This is particularly noticeable from mid-2012 when progress was made in resolving the tram disputes and the tram project started to require less of her time. She and the rest of the Corporate Management Team (CMT) work well together and actively promote stronger corporate working. The chief executive is at the forefront of the change in organisational culture needed to support improvement. There is still some way to go before this shift in culture is achieved throughout the organisation.
20. Partnership working in Edinburgh is strong and the council and its partners are making good progress in improving outcomes for people. They are also starting to narrow the gap in some outcomes between the most affluent and deprived areas in the city. Council services are generally improving, for example economic development and children's services. The council needs to improve in some other areas, for example adult social work services and waste management. The council knows what it needs to do and it is taking action to improve. A recent survey indicates that residents' level of satisfaction with council services is improving, albeit from a relatively low position.

21. The council manages its finances well, with spending contained within budget and long-term plans in place. However, the scale of savings the council needs to achieve over the next five years is substantial and it is relying heavily on significant savings from improved procurement. The financial impact of fully resolving the statutory repairs problem remains uncertain.
22. The council has been slow in developing a workforce strategy. The 2007 BV report identified the need to improve workforce planning. However, the council has made only limited progress. It needs a strategy that sets out how it will make sure it has the workforce it needs to meet future service demands and to continue improving. The council acknowledges this and is taking steps to address it. The council is also aware of the urgent need to improve ICT. It is currently strengthening its management of ICT to get better value from its contract with an external supplier and to ensure that its ICT is sufficient to support the improvements it is pursuing.
23. Effective use of resources, by which we mean finance, staff and assets, is crucial in achieving good prospects for future improvement. The council is taking action to achieve savings and to improve workforce planning and ICT. However, many of the changes are still at the planning stage or are relatively new and so it is too early to assess fully how effective they are. The council now needs to sustain the momentum generated and identify enough people with the skills necessary to manage change.

Performance assessment

24. The performance assessment provides two judgements on council performance:
 - The first judgement assesses how well the council is performing and focuses on service performance and outcomes.
 - The second judgement assesses the council's prospects for improvement and focuses on leadership and management, partnership working and resource use.

The Appendix contains descriptions for each judgement.

25. On the first judgement, we have assessed the council's overall performance as good. The council and its partners can demonstrate:
 - Good performance in ensuring Edinburgh's economy delivers investment, jobs and opportunities for all. The council and its partners use Edinburgh's characteristics, including its capital city status and festivals, to promote economic development.
 - Good performance in improving outcomes for children and young people.
 - Generally positive and improving outcomes in health and well-being. Health inequalities are complex and it will take time for the council and its partners to demonstrate the results of its work.
 - Mixed performance in making Edinburgh's communities safer and improving the physical and social environment people live in. Overall trends in crime and safety are positive, but performance in areas such as cleanliness and recycling are weaker. The council and its partners also face challenges in meeting the demand for housing.

- Improving services include economic development, children's services, and revenues and benefits. There are long-term, positive trends in the performance of waste management but it is too early to assess the effectiveness of changes following the council's decision not to proceed with the proposal in its Alternative Business Models (ABM) to externalise this service. There is a mixed picture in some other services, including adult social work services (where there are concerns about meeting the demand for care), homelessness services (where some performance indicators are comparatively poor), and in the statutory repairs service (where serious problems were identified in 2011).
 - Well developed arrangements for consulting with local people and users of services, the results of which are used to inform service improvements.
26. The second judgement concerns the council's prospects for future improvement. In forming this judgement, we have taken account of evidence of good performance in important areas. We also acknowledge that the council may have made more progress in its improvement work had it not had to deal with the significant issues that emerged in recent years. On balance, because many of the changes are relatively recent and because improvements are required in key aspects of BV, we consider the council has fair prospects for improvement:
- The council has effective political and managerial leadership that sets a clear vision of what it wants to achieve and focuses on improving outcomes for people. Committee structures support the council's priorities and there is strong scrutiny of budgets and service performance. However, the new governance arrangements are still bedding-in and it is too soon to fully assess their effectiveness.
 - Partnership working is well established and there is a clear and consistent shared vision and sense of purpose. There is strong commitment across the partner organisations and good local approaches. The council and its partners are good at involving local communities in decisions about local priorities and services. The council needs to ensure that the Edinburgh Partnership Board is clear about its role in the community planning structure.
 - The improvement programme is gathering pace and the council is now implementing many of the plans. Senior managers are heavily involved and face challenges in leading council-wide change while at the same time dealing with pressures in services. The new corporate programme office has the potential to support change but it is too soon to assess its effectiveness.
 - Savings plans are in place but it is too early to assess whether the council is likely to achieve all the savings it requires to balance its budget. These plans depend on substantial savings from improved procurement.
 - Workforce planning is under-developed and the council needs to do more to identify the skills and capacity needed to support improvement. Information and Communications Technology is weak.
 - The council demonstrates a strong awareness of where it needs to improve. This is reflected in its improvement programme and in the submission the council approved and provided to us in advance of the BV audit. Councillors and senior managers show good commitment and enthusiasm for change and a focus on improving outcomes for people.

The council also acknowledges the need to improve communication with staff to widen understanding of, and commitment to, the council's plans for change.

Areas for improvement

27. While we assess the second of the judgements based on the audit as 'fair', the council is taking action that, if successful, is likely to enhance its prospects for improvement. This depends on the council sustaining the more recent momentum and delivering the savings and other improvements it is striving to achieve. In particular, the council should:
- establish clear improvement priorities, and use its new corporate programmes office to support delivery
 - identify areas where consolidation and stability is required and those where the council should further increase the pace of improvement
 - focus on savings plans and satisfy itself that planned savings are achievable, particularly the savings expected from improved procurement
 - deal with weaknesses in workforce planning and ICT
 - identify and put in place the skills and capacity it needs to deliver improvement
 - develop its arrangements for communicating the purpose and progress of change to staff.

Part 3. Local context

Edinburgh

28. Edinburgh is located on the east coast of Scotland at the mouth of the River Forth. It shares borders with East Lothian, Midlothian, Scottish Borders and West Lothian councils ([Exhibit 1](#)).



29. Edinburgh has a population of over 495,000. The population is expected to grow by over 125,000 by 2035⁶. This rise of 26 per cent is significantly higher than the expected growth nationally of ten per cent. Over the same period, the increase in those aged 75 and over is anticipated to increase by almost three per cent of the population to ten per cent in 2035. This is a smaller shift in the age profile than that anticipated nationally but translates to an increase of around 25,000 people in this age group.
30. As Scotland's capital city, Edinburgh has a high national and international profile. It is home to the Scottish Parliament, government offices and many consulates. The city is a major visitor attraction with particularly high visitor numbers during summer festivals and over the year end

⁶ Source: General Register Office of Scotland -

<http://www.gro-scotland.gov.uk/statistics/theme/population/projections/sub-national/2010-based/tables.html>

festive period. The capital city status presents opportunities for the council and its partners but it also puts additional demands and pressures on services.

31. Edinburgh's economy relies on the service sector and in particular finance, tourism and education. In the year to September 2012⁷, 74.8 per cent of people of working age were economically active. Of these, 6.2 per cent were unemployed, lower than the Scotland average of 7.9 per cent.
32. The relative strength of the economy and affluence in Edinburgh masks pockets of deprivation. Over a third of Edinburgh's communities are among the most affluent in Scotland⁸. There has been a reduction in the number of communities in Edinburgh that are among some of the most deprived in Scotland, but it still has 5.5 per cent of these communities. The council and its partners face significant challenges in continuing to narrow the inequalities gap.

The council

33. The City of Edinburgh Council is the second largest council in Scotland and the eighth largest unitary council in the UK. It employs over 15,000 people and spends about £1 billion each year. Based on the budget estimates for 2012/13⁹, revenue expenditure represents £2,143 per head of population; the lowest spend per head of population of the 32 Scottish councils.
34. The council has 58 councillors and 17 multi-member wards. Following the local government elections in May 2012, the council is led by a Scottish Labour and Scottish National Party coalition administration. The political make-up of the council is:
 - 20 Scottish Labour Party councillors
 - 17 Scottish National Party councillors
 - 11 Conservative and Unionist Party councillors
 - 6 Scottish Green Party councillors
 - 3 Scottish Liberal Democratic Party councillors.

A by-election is due to be held on the 20th June in the Liberton/Gilmerton ward.

35. In September 2012, the council approved a new committee structure ([Exhibit 2](#)). The council has seven executive committees, each with a policy development and review subcommittee and three further strategic committees.

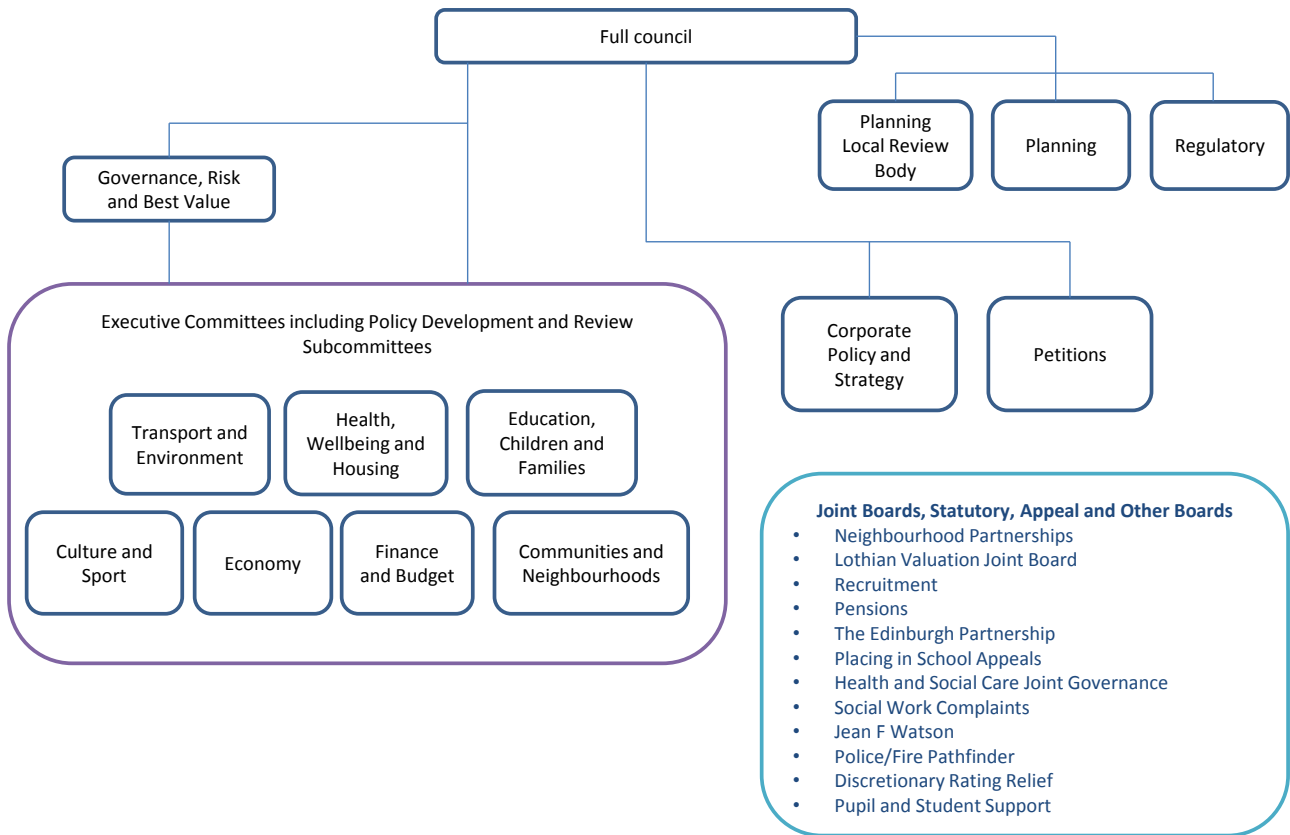
⁷ Office for National Statistics - <http://www.nomisweb.co.uk/reports/lmp/la/2038432133/report.aspx>

⁸ Scottish Indices of Multiple Deprivation (SIMD) 2012

⁹ Scottish Government Provision Outturn and Budget Estimates 2012, <http://www.scotland.gov.uk/Topics/Statistics/Browse/Local-Government-Finance/POBETab2012>.

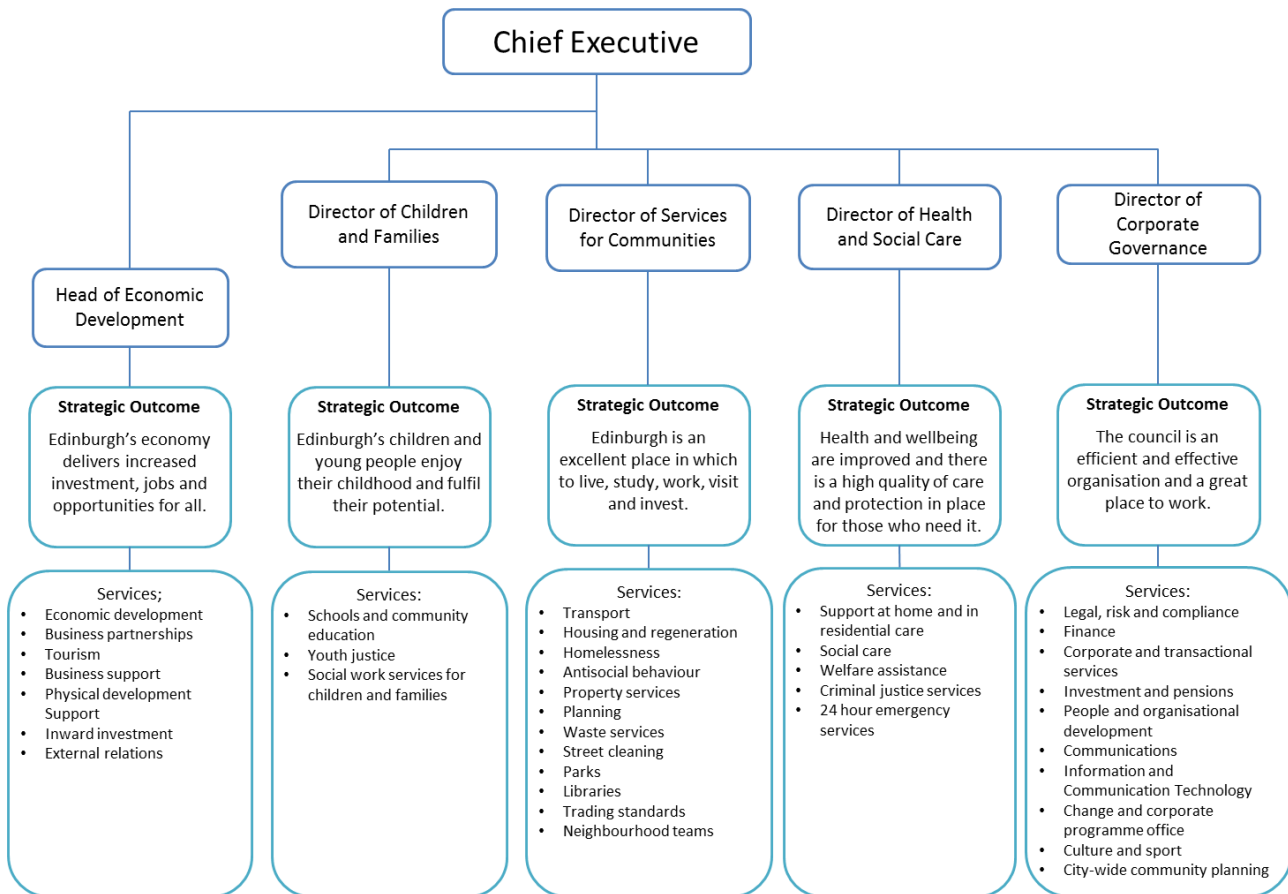
Exhibit 2

Edinburgh City Council political decision-making structure



Source: Audit Scotland

36. In January 2011, the council appointed a new chief executive. The council has four directors in its corporate management team ie directors for Corporate Governance, Health and Social Care, Children and Families, and Services for Communities. Each director has responsibility for a wide range of services as well as responsibility for strategic outcomes (Exhibit 3).

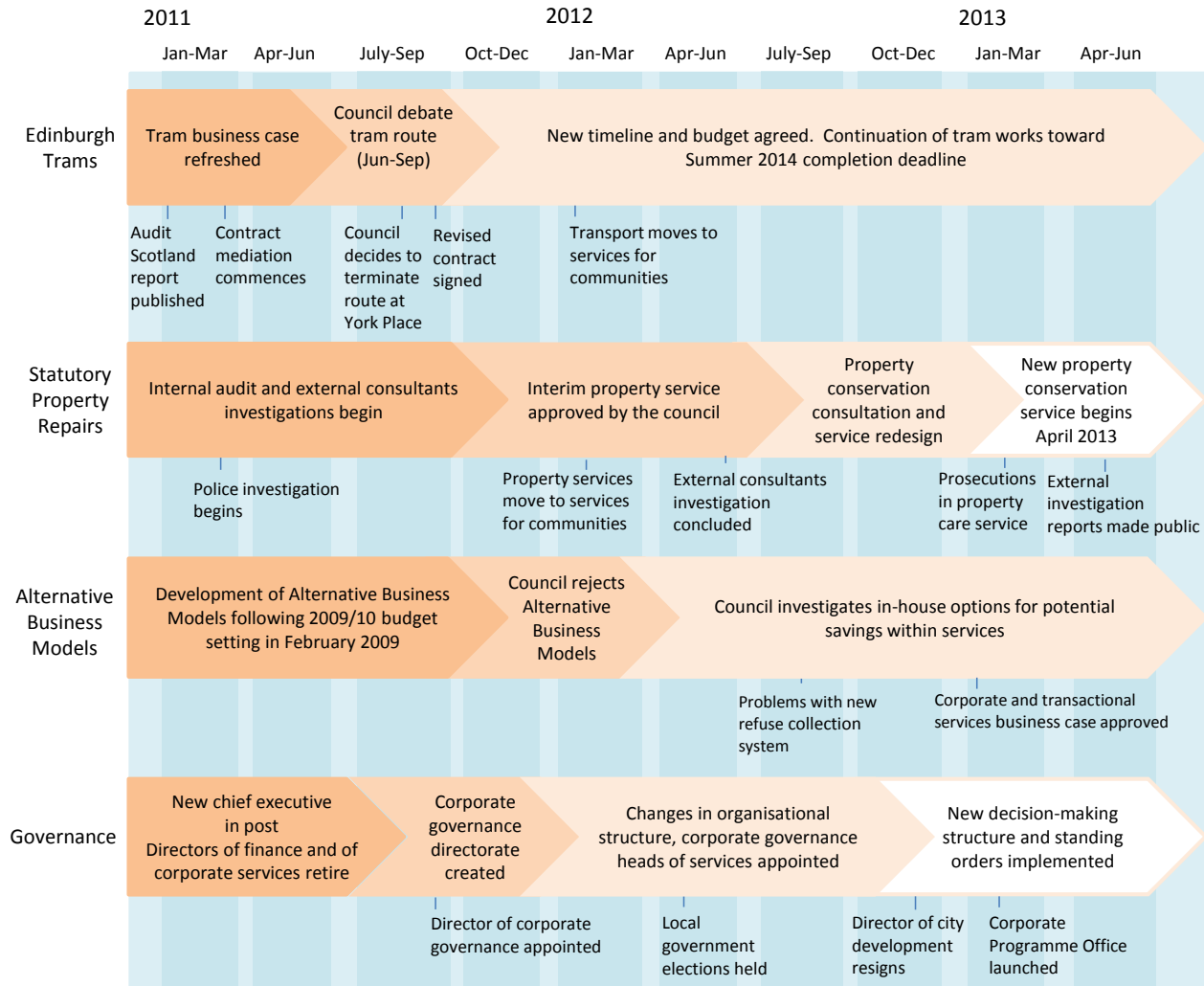
Exhibit 3**Management structure**

Source: Audit Scotland

Further context: timeline of events

37. Since the BV audit in 2007, the council has undergone major organisational change and has had to deal with high profile and significant problems. The scale and complexity of these is an important part of the context: resolving contractual disputes arising from the tram project; identifying savings following the decisions not to externalise certain services; and investigating serious difficulties in its statutory repairs service. These three issues, in particular, have absorbed a large amount of senior manager time and have damaged both public confidence in the council and the council's reputation.
38. Exhibit 4 sets out the most significant events in relation to each of these three matters over the past two years. It also includes a line to reflect major governance events over the same period.

Exhibit 4
Timeline



Source: Audit Scotland

39. Of the issues identified in Exhibit 4, the tram project is the highest profile and involved significant input from the chief executive following her appointment in January 2011 (Exhibit 5).

Exhibit 5**Edinburgh Trams**

In May 2002, the council established Transport Initiatives Edinburgh (TIE), as a fully owned arms-length company. Its role was to investigate how best to deliver the local transport strategy, which included a proposed new tram network. In 2003, Scottish ministers announced financial support for the project and in 2006 the project received parliamentary approval.

In October 2007, TIE announced Bilfinger Berger Siemens (BBS) as the preferred bidder for construction. The council approved TIE's final business case for the trams project in December 2007. The business case set out two project phases: 1a (Edinburgh airport to Newhaven); and phase 1b (Roseburn to Leith), with expected costs of £498 million for phase 1a and £87 million for phase 1b. In January 2008, the Scottish Government offered a grant of up to £500 million for phase 1a, on the condition that the project costs would not exceed £545 million, there was a positive benefit/cost ratio and that no ongoing subsidy would be required.

TIE officially appointed BBS as the contractor in May 2008 but in February 2009, a major dispute arose between TIE and BBS that centred on differing interpretations of contractual agreements. In April 2009, the council decided to postpone phase 1b due to the financial downturn. The dispute between TIE and BBS continued throughout 2009. During this period, the majority of construction work was effectively suspended but utilities work progressed. In December 2009, TIE agreed to a fundamental review of the contracts. In March 2010, the council announced that phase 1a of the project was unlikely to be completed within budget. At this point, the council had spent almost 60 per cent of the budget and the project was substantially behind schedule.

In October 2010, the council received a report updating it on progress and proposing an incremental approach to the project with a tram line from the airport to St Andrew's Square as a first phase.

The council appointed a new chief executive in January 2011. Mediation involving all parties started in March 2011. Following this, work began on a number of priority construction areas while further detailed planning was undertaken.

Between June and September 2011, the council debated proposed revised tram routes and plans for completion resulting ultimately in it confirming that it would proceed to complete the tram line to St Andrew's Square/York Place.

Subsequent negotiations led to a settlement agreement in September 2011 between the council and the contractors. At this point, the council appointed external project managers to assist the process, revised the governance arrangements and began to wind-down TIE. The project has required additional funding of £231 million, which has come from additional council borrowing, increasing the overall budget to £776 million.

The project now has a planned completion date of summer 2014. At February 2013, the project is progressing in line with the new budget and timescales.

Source: Audit Scotland

Part 4. Is the council working effectively with its partners to improve Edinburgh?

The council and its partners share a clear vision of what they want to achieve in Edinburgh. They understand the local context and work well together to improve outcomes for local people. The council shows a clear commitment to working with its communities in strategic and local planning. Partnership working is good and the council and its partners are continuing to improve this further. The council needs to ensure that the partnership board is clear about its role in the community planning structure.

40. In this section, we look at how effectively the council and its partners are responding to the needs of Edinburgh. We consider whether the council and the Edinburgh Partnership understand the issues for their communities and have set clear priorities that reflect these. We also look at how well the partnership is organised to deliver its priorities and positive outcomes for the city.

Are they focused on the challenges for Edinburgh?

41. The council and its partners share a clear vision of what they want to achieve in Edinburgh. Their priorities align and are clearly set out in three strategic documents, ie the Edinburgh Partnership's single outcome agreement (SOA) (March 2012), the council administration's pledges (May 2012) and the council's strategic plan (October 2012) ([Exhibit 6](#)). They also demonstrate a clear understanding of the local context that includes, for example, the city's role as a capital city, its economy and workforce, and the challenges in providing affordable housing and sustainable social care.
42. All 32 Scottish community planning partnerships produce SOAs. These set out the partnership priorities, how they aim to achieve these and measures for monitoring progress. The 2012-15 Edinburgh SOA introduces a much clearer focus on addressing inequalities and now includes a commitment to 'reduce poverty and deprivation in all its forms'. There is also a clear reference to reducing health inequalities. Social and economic sustainability are implicit in the SOA but environmental sustainability is not evident as a planned outcome. At the time of the audit, the partnership was agreeing the new SOA. The partnership acknowledges that it needs to review how environmental sustainability is better reflected in its priorities and planning.

Exhibit 6**Corporate, Capital Coalition and Edinburgh Partnership priority correlation**

SOA	Council's strategic plan	'Capital coalition' pledges
Overarching aim		
Edinburgh is a thriving, successful and sustainable capital city in which all forms of deprivation and inequality are reduced	Edinburgh is a thriving, successful and sustainable capital city	Build a co-operative, more prosperous, Edinburgh in which every resident and community benefits
High level outcomes		
Edinburgh's children and young people enjoy their childhood and fulfil their potential	Edinburgh's children and young people enjoy their childhood and fulfil their potential	Every child in Edinburgh gets the best start in life
Edinburgh's economy delivers increased investment, jobs and opportunities for all	Edinburgh's economy delivers increased investment, jobs and opportunities for all	Providing for Edinburgh's prosperity
Edinburgh's citizens experience improved health and well-being, with reduced inequalities in health	Health and well-being are improved in Edinburgh and there is a high quality of care and protection in place for those who need it	Reducing poverty, inequality and deprivation
		Ensuring Edinburgh and its residents are well cared for
		Maintaining and improving quality of life
Edinburgh's communities are safer and have improved physical and social fabric	Edinburgh is an excellent place in which to live, study, work, visit and invest	Strengthening and supporting our communities and keeping them safe
	The council is an efficient and effective organisation and a great place to work	

Source: Audit Scotland

Engaging with communities

43. The council has a range of good approaches to involving communities in discussions about services and priorities. The council commissions an independent annual survey of residents to collect information on local matters, perceptions and satisfaction. The council uses this information to inform corporate and service planning.
44. The council and individual services also engage with service users on specific matters. For example, the council has a consultations page on its website and topics that the public can express opinions on include school proposals, the approach to commissioning services for children and local transport. Direct engagement with communities is also evident in services and in local neighbourhoods, for example in the 'Total' neighbourhood projects. (See [Exhibit 8](#)).
45. Developments over the past year to further improve its approaches include:
 - Committee changes - the communities and neighbourhoods committee increases the council's focus on partnership and neighbourhood working, while the Petitions Committee provides an opportunity for people to influence council business.
 - Customer Access Strategy - which focuses on improving how people can contact the council, for example through its customer call centre and online.

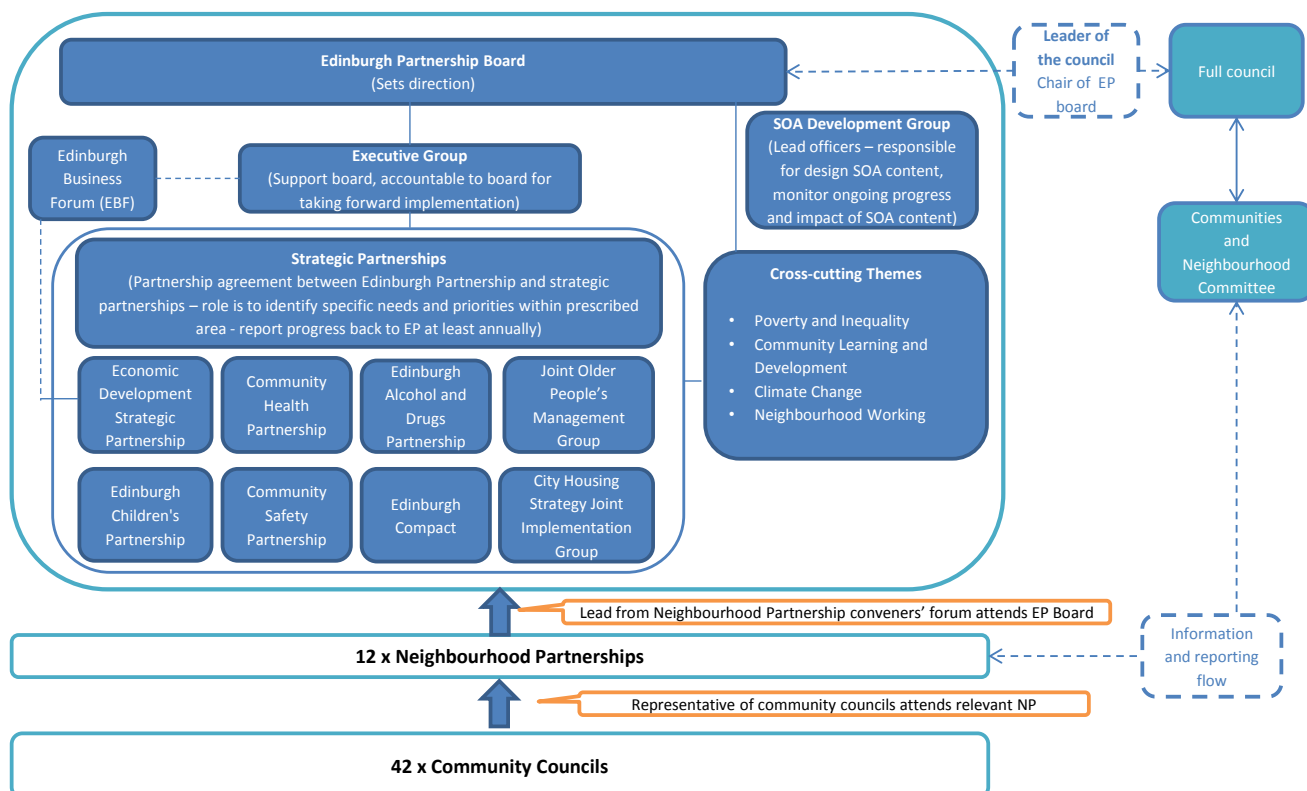
- Complaints management - the council has updated its complaints processes to comply with the Scottish Public Services Ombudsman (SPSO) guidance and to bring together different approaches across the council into a single system.
- Budget consultation - the council consulted with the public on its 2013-14 budget. This included an online survey, social media and community meetings.

How effective is partnership working?

46. The council and its partners have well established working arrangements that include strong links with the business and voluntary sectors. The council knows where the arrangements need to be strengthened and is taking action with its partners to address these. The council provides strong and effective leadership on community planning but needs to make sure that the role of the partnership board, such as the approval of the SOA, is clearer.
47. The Edinburgh Partnership has continued to strengthen its structures. The 2007 BV audit identified the need to refocus community planning arrangements and the partnership reviewed its structures in 2008/09. This resulted in increased representation from councillors and more clarity about their role. In 2009, the partnership also set up an executive group of senior managers from partner organisations to lead improvement in community planning. It also reviewed its links to the council's neighbourhood structures and the coverage of its strategic partnerships.
48. [Exhibit 7](#) provides an overview of the community planning structures. It also illustrates the links to the neighbourhood partnerships and shows how the council's new communities and neighbourhoods committee fits into these arrangements.

Exhibit 7

Community planning structures



Source: Audit Scotland

49. While demonstrating a clear awareness of the issues, the partnership board is less clear about its role in leading the partnership, developing the SOA and scrutinising progress. While current arrangements are effective, the council needs to help clarify the partnership board's role in the current arrangements for example, in approving the SOA.
50. The role of the partnership's thematic groups is evolving. The partnership agreed revised strategic partnerships in October 2012. Some of these, such as the community safety partnership, have been in place for some years and have a clear focus. However, others, such as the economic development strategic partnership, are relatively new and are still defining their remits. The Edinburgh Partnership has also faced challenges in setting up its climate change partnership - see paragraph 95.
51. The council and NHS Lothian work well together in the community health partnership. The council's director of health and social care has been a joint appointment with the health board since 2005. Organisational changes within both bodies have helped to improve strategic level working relationships and the current focus on service integration is helping to develop these further.
52. In preparation for integration of health and social care, the council and NHS Lothian revised its arrangements in October 2012 to form a shadow health and social care partnership. The partnership has equal representation from the council and the health board. The integrated service came into effect on 1 April 2013, with community-based services coming together in the first year and acute services following thereafter. A finance group composed of officers

from the council and the health board is working to align health and social care budgets. The group aims to introduce a pooled budget for community care in April 2014 and for acute services the following year. The council and the health board are also working to develop joint performance management arrangements.

53. The council has an effective neighbourhood structure that enables communities to help shape local priorities. There are 12 neighbourhood partnerships. Each includes representation from local communities, services such as police and health, community councils, local businesses and councillors. Each partnership also agrees a local community plan, setting out local priorities.
54. To improve further these well-established arrangements, the council and its partners have two neighbourhood pilots, Total Neighbourhood and Total Craigroyston ([Exhibit 8](#)). Both projects are still at an early stage but have the potential to demonstrate what can be achieved by a more targeted, local approach.

Exhibit 8

Total Craigroyston and Total Neighbourhood projects

Total Craigroyston and Total Neighbourhood are two pilot initiatives started in 2012 that aim to improve outcomes for residents in more deprived areas of Edinburgh.

Total Craigroyston focuses on improving outcomes for children from Craigroyston High School and the catchment primary schools in the north of the city. Between May and June 2012, the project team consulted local people to understand better their concerns and aspirations for the area. The project team is using this to inform an action plan. The team has also started to improve support for primary school pupils moving to secondary school and to identify young people who recently left full-time education who are no longer in positive destinations.

Total Neighbourhood is based in a new multi-agency purpose built building in the east of the city. The project's aim is to improve outcomes and the quality of life for residents. It aims to achieve this by improving the quality of services, better integrated working, and better community and stakeholder involvement. The project team has run workshops with staff in the area to understand how services could work better. It is also reviewing the effectiveness of money spent in the area.

Both initiatives involve a wide range of public sector and voluntary organisations. They are monitored by the Edinburgh Partnership and by the council's Communities and Neighbourhood Committee. No additional money has been allocated to these initiatives with the core teams made up of council and police staff. Both initiatives are in their early stages but the council hopes, if successful, the 'total model' will be rolled out across the city.

Source: Audit Scotland

55. Performance management within the Edinburgh Partnership is well structured and it is continuing to develop. The partnership uses the council's performance management system to collect performance information and receives progress reports on the SOA. However, there is scope for stronger evaluation of individual projects and work-streams.

Part 5. What have the council and its partners achieved?

The council and its partners are making good progress with improving outcomes for people and communities. Priorities linked to the economy and employment show signs of improvement in a challenging national economic climate. There is also progress in outcomes relating to children and young people, health and community safety. People in Edinburgh show a high level of satisfaction with the area as a good place to live.

The council and its partners are aware of the particular challenges they face in providing sustainable adult social care, meeting demand for affordable housing and preparing for changes to the welfare system. The council needs to do more to improve waste management and cleanliness.

56. The following paragraphs assess the progress the council (through its services) and its partners are making towards each of the Edinburgh Partnership's high-level outcome priorities.

Edinburgh Partnership outcome priority: 'Edinburgh's economy delivers increased investment, jobs and opportunities for all'

57. The council and its partners are making good progress in supporting the Edinburgh economy. Priorities linked to the economy and employment show encouraging signs of improvement in a difficult economic climate and in comparison to other parts of Scotland.

Edinburgh's economy is doing well despite the economic climate

58. The council and its partners use Edinburgh's characteristics, including its capital city status and festivals, to promote economic development. The city's economy is responding well despite the economic climate. For example:
- There were 1.34 million visits by overseas tourists in 2011, up from 1.31 million in 2010. Overseas visitor expenditure increased, from £524 million to £609 million.
 - There were 32 foreign direct investments into Edinburgh announced in 2011/12, almost twice as many as in 2010/11, with a value of between £300 million and £400 million.
 - The council is ahead of its targets for promoting investment in physical development and regeneration in the city. From April to December 2012, the net investment was £75 million, ahead of the council's target by £25 million.
 - The number of new businesses starting up has increased in 2012 and compares well against other cities across the UK. Only London had more business start-ups.
 - The economic performance of Edinburgh contributes strongly to the wider UK economy. The economic value of all goods and services provided in Edinburgh, at £34,178 per

head of population,¹⁰ is higher than in any other UK local authority outside of central London.

59. The council is committed to helping economic growth. For example, in November 2012, the council brought the 'business gateway service' in-house and set up a new one-stop advice and assistance service for businesses within its headquarters. The council also played an active role in the successful bid to locate the headquarters of the UK's new Green Investment Bank in Edinburgh in 2012. The council and its partners are focussed on improving employment and opportunities and are making good progress. For example:
- Following a period of declining employment rates, the employment rate increased slightly to 71.1 per cent in September 2012, above the Scottish average of 70.8 per cent. However, the rate is slightly below the SOA target of 72 per cent for 2012.
 - In the year to December 2012, the council helped 1,610 unemployed people into employment or learning, exceeding its target by 110. The council is behind its target for job creation over the same period, with 449 jobs created and safeguarded against a target of 500.
 - The council led the development of a new 'strategy for jobs' for 2012-17. This was launched in September 2012 in partnership with the Edinburgh Business Forum.
60. The council and its partners have identified young peoples' opportunities as a specific area for improvement. Despite good levels of educational attainment, the percentage of school leavers in Edinburgh going into employment, training or continued education was worse than in any other council area across Scotland in 2009/10. In response, partners across the city, including the private sector, have signed up to the Edinburgh Guarantee ([Exhibit 9](#)). This is a good example of what can be achieved when partners focus collectively on a priority for improvement. Although it is too early to assess whether there will be sustained improvement, the council is now the fourth most improved local authority in Scotland for getting school leavers into a positive destination. The percentage of school leavers going into work, training or continuing in education increased from 82.0 per cent in 2009/10 to 88.3 per cent in 2011/12, a little below the Scottish average of 89.9 per cent.

¹⁰ This measure is often referred to as gross value added (GVA) and is a measure of the economic contribution of the production of goods and services in a specific area.

Exhibit 9

Edinburgh Guarantee

The Edinburgh Guarantee involves the public, private and voluntary sectors in the city working together to ensure that every school leaver in Edinburgh has a job, training or further education opportunity. It is based on a shared vision among partners that everyone has something to offer and that the city, working together, can deliver a better future for young people, and for the economy. The Edinburgh Guarantee's successes include:

- since August 2011, working with over 150 businesses and organisations across Edinburgh to generate opportunities for school leavers
- matching 513 young people into opportunities by October 2012 including internships, modern apprenticeships, permanent positions, fixed term positions and training programmes
- setting up sector based working groups to promote youth employment within different sectors and unlock opportunities for young people
- engaging business and seeking new and innovative ways to introduce the world of work into schools.

Source: Audit Scotland/Edinburgh Guarantee website ¹¹

Edinburgh Partnership outcome priority: 'Edinburgh's children and young people enjoy their childhood and fulfil their potential'

61. The council and its partners are achieving mostly positive and improving outcomes for young people. In particular, they are making good progress in improving educational outcomes. They still need to do more to close the gap between children from affluent backgrounds and those from more deprived backgrounds.
62. In April 2013, the Care Inspectorate published a report¹² about services for children and young people in Edinburgh. It concludes that the council and its partners are providing a good service, assessing the services as good for seven out of eight quality indicators and very good for the eighth, ie recognising the very wide range of measures to consult and seek the views of children, young people, families and other stakeholders. The report also indicates mostly positive and improving outcomes ([Exhibit 10](#)).

¹¹ <http://theedinburghguarantee.co.uk/>

¹² http://www.scswis.com/index.php?option=com_docman&task=cat_view&gid=540&Itemid=378

Exhibit 10

Care Inspectorate findings 2013

'...Overall, partners are making steady improvements in the well-being of children and young people. Positive progress is being made against the performance indicators set out in the Single Outcome Agreement and the Integrated Children and Young People's Plan. Encouraging trends are being achieved in the outcomes for all children and young people...

- Overall the extent to which children and young people in Edinburgh get the best start in life and their life chances are improved is good...
- Children and young people get very effective support to keep safe...
- Parent and carers of very young children benefit from highly effective support and guidance...
- Children and young people are supported to attend school and this helps them to make better progress in their learning and educational attainment...
- The number of high quality nurturing and stable environments for children who are unable to live at home is increasing rapidly...
- Parents and carers are very positive about the supporting and trusting relationships they enjoy with staff...
- Communities are encouraged to develop local solutions to local problems and become involved in designing the services they need...'

Source: Care Inspectorate

Children are doing better at school

63. There are positive trends in most of the measures that show how well children and young people are performing in Edinburgh's council-run schools. For example:
- Educational attainment at secondary school level on almost all measures shows improving and comparatively good performance. Almost all indicators, covering attainment measures for S4 to S6 pupils, are in line with or above the national average.
 - Secondary school exclusion rates improved between 2009/10 and 2010/11. In both primary and secondary schools, fewer children were permanently excluded. There are also positive trends in attendance rates for primary and secondary schools and the council is meeting its targets for both measures.

More still needs to be done to address inequalities

64. The council and its partners show a strong commitment to equal opportunities for children and young people, whatever their background. Some measures show that the inequality experienced by children and young people is reducing. For example:
- The average attainment for S4 and S5 pupils¹³ from the least deprived areas has been steady while it has improved for those in the most deprived areas.

¹³ Data is available for the period 2002/03 to 2010/11 for S4 and for 2004/05 to 2010/11 for S5 and S6. Based on average SQA tariff scores.

- There has been a narrowing of the gap in the average attainment for the 20 per cent lowest attaining pupils compared to the average for all pupils.

65. However, more work is needed in some areas. For example:

- The average attainment trends for S6 pupils show a widening gap, although at a much lower level than the national trend. The gap in attainment between S6 pupils in the most and least deprived areas in Edinburgh increased by 0.7 per cent between 2004/05 and 2010/11, compared to 15 per cent nationally.
- There has been improvement for school leavers¹⁴ going on to employment, training or continuing in education for young people from both the most and least deprived areas. The rate of improvement has been faster for those from the most affluent areas. This widening gap is in contrast to the national trend.

The council and its partners are working hard to protect the most vulnerable children and young people, but more progress is needed

66. The council and its partners show a clear commitment to improving the outcomes for vulnerable children and young people. The Care Inspectorate concludes in its April 2013 report that encouraging trends are being achieved in the outcomes for all children and young people and in reducing outcome gaps for those whose life chances are at risk. Considerable improvements have been made in the quality of services to protect children.
67. This improvement is reflected in some of the performance measures, for example:
- The number of reviews of looked after children completed within the target time has increased from 62 per cent in 2011 to 81 per cent in 2012.
 - The number of children leaving accommodation through adoption has improved year-on-year, from 40 in 2009/10 to 49 in 2011/12. This is close to the council's target of 50.
68. The Care Inspectorate report indicates that the council and its partners need to continue to reduce outcome gaps for children and young people whose life chances are at risk and place a stronger focus on achieving speedier improvement for the most vulnerable.
69. Performance information indicates that more work is needed to improve the outcomes for some of the most vulnerable children and young people in Edinburgh. For example:
- The target is to reduce the number of children needing to be looked after, but this has remained stable over the last three years, at around 15.4 per 1,000 children.
 - The percentage of children in foster care, placed full-time with a council foster carer, has declined, from 65 per cent in 2009/10 to 57 per cent in 2011/12, against a target of 63 per cent.

¹⁴ Data is available for the period 2007/08 to 2010/11. Based on average SQA tariff scores.

Edinburgh Partnership outcome priority: 'Edinburgh's citizens experience improved health and well-being, with reduced inequalities in health'

70. The council and its partners are achieving generally positive and improving health outcomes. Health inequalities are complex and it will take time for the partnership to demonstrate improvement. Analysis of outcomes between areas of high and low deprivation indicates some positive trends in reducing inequalities, but more progress is still needed. With an increasing older population, there are particular challenges for the council in improving the provision of care home placements and homecare.

The health of the people of Edinburgh is improving

71. There are positive trends in many of the health outcome measures including some of the longer-term indicators. For example:
- Life expectancy¹⁵ for both men and women has improved and is above the national average (male life expectancy in Edinburgh is 77.2 years compared to 75.9 nationally and for females is 81.9 years in Edinburgh compared to 80.4 nationally).
 - The rates of premature deaths¹⁶ have improved and are lower than the national average (323.7 in Edinburgh in 2011 compared to 349.1 nationally).
72. There are also positive trends in some of the factors that can influence health and well-being. For example:
- Smoking rates for adults has reduced year-on-year, falling by a quarter between 2000 and 2010 and at 21.4 per cent is below the national average of 24.2 per cent.
 - Alcohol related hospital admissions reduced by 24 per cent between 2007/08 and 2010/11. At 605 admissions per 100,000 population, this is also below the national rate of 695.

More still needs to be done to reduce inequalities in health and well-being

73. There are some indications of progress in closing the gap in health between the most and least deprived people in Edinburgh. For example:
- Hospital admissions due to coronary heart disease have reduced in both the most and least deprived areas. The difference between the most and least deprived people has improved at a slightly faster pace than in Scotland as a whole. The gap has decreased by 52.52 per cent in Edinburgh between 2002 and 2010 compared to 50.57 per cent nationally.
 - Smoking levels have declined at a slightly faster pace in the more deprived areas of Edinburgh.
74. Some measures indicate that more work is needed to close the gap between the least and most deprived communities. For example:

¹⁵ The most recent data for life expectancy at birth is for 2008-2010

¹⁶ Deaths in people under the age of 75, shown as a rate per 100,000 population

- The life expectancy rates for people in the more deprived areas of Edinburgh have not increased as quickly as other areas, meaning the gap in life expectancy between the most and least deprived areas has widened. The gap has widened by 2.1 per cent for males and by 16.1 per cent for females between 2003/07 and 2006/10, compared to 3.5 and 4.3 per cent nationally.
- The rates for premature deaths for those in the more deprived areas have been reducing but, at 647 per 100,000 people, remain more than twice as high as those for Edinburgh as a whole at 323 per 100,000 people.

The council and its partners are working to improve the provision of homecare and care home placements, but more progress is needed

75. With an aging population, the demand for care is increasing. The council and its partners face challenges in maintaining sufficient care home placements and carers to meet demand. The health and social care service has shown improved performance but now needs to do more.
76. In January 2012, the Care Inspectorate published a report¹⁷ on the council's social work services. The assessment found no areas for urgent attention or of significant risk. The report states that the council was strongly focussed on outcomes. Although outcomes across the services were mixed, the council closely monitored performance and was identifying where further improvement was needed.
77. On indicators relating to the balance of care for older people, the Care Inspectorate's report notes an upward trend in performance from a low base, with a small but steady increase in the number of people receiving intensive homecare. This had contributed to a reduction in the number of people going into residential care and an increase in residents' dependency levels in the care homes. The report states that the council's own homecare service, which provided 26 per cent of care at home hours, needed to develop more flexibility and capacity.
78. The rate of homecare hours provided has improved. The health and social care service has achieved year-on-year improvement on a number of homecare indicators. Between 2009/10 and 2011/12 the percentage of homecare clients who receive personal care increased from 89.5 per cent to 96.1 per cent; the percentage who received overnight care increased from 31 per cent to 40.5 per cent; and those receiving services at weekends increased from 69.5 per cent to 79.9 per cent. However, this performance remains mid-range when compared to other councils.
79. More people have experienced delays in being discharged from hospital. The council and its partners recognise that this is due to care placements and homecare provision not meeting demand. The council has taken action to increase care provision availability in response to identified shortages but demand is increasing and the council and its partners need to take more action.

¹⁷ <http://www.scswis.com/>

Edinburgh Partnership outcome priority: 'Edinburgh's communities are safer and have improved physical and social fabric'

80. Performance on this outcome, which aims to 'ensure people are safe from crime, disorder and danger; are well-housed; and live in engaged, inclusive and supportive communities' is mixed. There are positive trends in crime and safety and positive levels of public satisfaction. However, outcomes relating to cleanliness and recycling are comparatively poor. Meeting the demand for housing remains a challenge but there are some signs of progress.

Levels of crime and safety show improvement

81. There is good progress in improving crime and safety outcomes in Edinburgh. For example:
- Overall levels of crime have decreased.
 - The percentage of people who feel safe after dark in their neighbourhood has increased from 77 per cent in 2011 to 88 per cent in 2012.
 - There have been reductions in the rates of deliberate secondary fires¹⁸ and reductions in vandalism.
 - Satisfaction with how well vandalism, graffiti and antisocial behaviour are dealt with at neighbourhood levels has improved and the partnership is achieving its targets for these measures.
82. However, more work is needed in some areas. For example:
- Rates of accidental house fires have been worsening over the last few years despite a previous trend of improvement.

The infrastructure for travelling in Edinburgh is good

83. The tram project has been a major challenge for the council over the last few years. The project is progressing and the council expects trams to run from the summer of 2014.
84. The tram difficulties will have affected public perception of travelling in Edinburgh. More broadly, however, there is good performance in relation to transport and travelling in the city. For example:
- In 2012, 85.4 per cent of people were satisfied with public transport provision. Satisfaction with public transport is generally higher in Edinburgh than nationally.
 - Public transport usage and levels of people walking, running and cycling to work in Edinburgh compare well to average levels across Scotland and in other cities. Edinburgh has particularly high levels of travel by bus and by cycling and this has increased steadily over the last ten years.
 - The condition of roads in the area is not good but is better than the national average and has improved over the last three years. The proportion of roads requiring maintenance is 32.4 per cent for 2011/12 compared to the national average of 36.4 per cent.

¹⁸ Typically outdoor fires in heathland, rubbish bins or derelict buildings

The management of the city's waste and cleanliness needs to improve

85. The amount of waste going to landfill has steadily decreased from 2007/08 to 2011/12 by 19 per cent, meeting the partnership's target. However, there is scope for further improvement. For example:
- There has been a slight improvement in recycling over the last few years but it remains comparatively low, at 33.3 per cent compared to a national average of 41.0 per cent in 2011/12, and is not meeting the partnership's SOA target of 35 per cent.
 - There has been a slight improvement in street cleanliness levels. However, these remain worse than the Scottish average.
 - Although the cost of waste disposal is less than the national average (£76 per premise compared to £105) the cost of collection per premise is higher (£92 compared to £81 nationally). The cost of street cleaning is the highest in Scotland at £33,957 per 1,000 people, compared to an average of £19,380 nationally.
86. The council introduced a new waste collection policy in September 2012 aimed at increasing recycling rates, reducing the amount of waste going to landfill and to reduce landfill costs.
87. The council has experienced difficulties in implementing the new waste collection arrangements. Complaints about waste collections increased from an average of less than 3,000 a month to 10,384 complaints in the two months after the revised arrangements came into effect. Some reduction to service performance is likely during a period of transition and it is too early to assess the longer-term performance of the new arrangements.

Meeting housing needs continues to be a challenge

88. The council and its partners face challenges in making sure the people of Edinburgh have access to suitable housing. The partnership has identified the need for an additional 36,000 homes to meet demand over the next ten years and, of this, 16,600 affordable homes are needed. Housing shortages make it more difficult to manage homelessness effectively.
89. In 2012, The Scottish Housing Regulator (SHR) carried out a targeted inspection of the council's homelessness services.¹⁹ SHR found that the council had improved its service and was on track to meet the national target to abolish the priority need assessment. SHR also commented on the impact of the challenging local context, with the significant imbalance between housing demand and supply in Edinburgh. It noted that waiting times for permanent accommodation are long as a result of the limited supply of accommodation.
90. The council and its partners are responding well to the challenges in a number of ways, for example:

¹⁹ The findings of this activity were reported directly to the council and not published by SHR. The council considered the findings at its Health, Wellbeing and Housing committee on 29/01/13. The committee report is available [here -
http://www.edinburgh.gov.uk/download/meetings/id/37885/item_81_scottish_housing_regulator_inquiry-homelessness_services%20-%2084k%20-%202013-01-29](http://www.edinburgh.gov.uk/download/meetings/id/37885/item_81_scottish_housing_regulator_inquiry-homelessness_services%20-%2084k%20-%202013-01-29).

- Private sector house building increased by 35 per cent in 2011/12 compared with the previous year. This follows a period of significant reduction in house building during the economic recession.
- New homes completed through the Affordable Housing Investment Programme surpassed the partnership's target. In 2011/12, 657 home were completed against a target of 505. Also in 2011/12, the partnership secured funding to approve the construction of 1,558 new affordable homes.
- The number of council houses meeting the Scottish Housing Quality Standards (SHQS) has improved year-on-year and compares well with other councils. In 2011/12, 74.5 per cent met the standard compared to a national average of 66.1 per cent.
- Housing management indicators are generally positive, with all comparable indicators either better than or in-line with national averages. Performance is particularly strong in collecting rent arrears from former tenants, the council had the highest rate in 2011/12 across all councils at 60.7 per cent compared to 35.7 per cent nationally. It also performs well in relation to minimising rent losses from unoccupied properties at 0.5 per cent compared to 1.3 per cent nationally.
- Management of temporary homelessness cases is generally good, with good performance on the time taken to complete assessments and improving performance on reassessments. Performance improved from 6.5 per cent requiring reassessment in 2009/10 to five per cent in 2011/12.

91. However, more work is needed in some areas. For example:

- The number of homeless people housed in permanent accommodation has been relatively static and is the third lowest across all councils at 33 per cent, well below the Scottish average of 49.2. There are also comparatively high rates of reassessment required for permanent homelessness cases at 7.5 per cent, the fourth worst rate in Scotland.
- There is improving, but comparatively poor, performance on benefits and council tax management.

92. The council is preparing well for the UK wide changes to the welfare system. The reforms will change how the council manages benefits and housing services. Its welfare reform strategic planning group brings together representatives from across council services most affected by the reforms. The council is also working with a range of other relevant organisations, such as the Scottish and UK governments, COSLA²⁰ and the DWP,²¹ to help to understand and plan for the changes. The council, along with one of its housing association partners, volunteered to be a pilot site for testing aspects of the reforms.

²⁰ Convention of Scottish Local Authorities

²¹ Department for Work and Pensions

Sustainability

93. The council is making good progress against its environmental sustainability targets. It is developing arrangements to promote environmental sustainability but it is too early to assess their effectiveness. In its 'Climate Change Declaration Annual Report 2011', the council reported a 6.2 per cent reduction in its main carbon footprint categories between 2005/06 and 2010/11 ie in transport, building energy use, municipal waste, and infrastructure energy. The council aims to reduce its carbon emissions by 15 per cent by the end of 2015/16.
94. The council shows commitment to environmental sustainability but needs to do more to monitor and manage progress. In March 2012, the council approved the 'Sustainable Edinburgh 2020' action plan. A progress report was due in September 2012. The corporate policy and strategy committee received this report in April 2013.
95. The council and its partners need to improve how they work together on environmental sustainability. The Edinburgh Partnership agreed to set up a Climate Change Strategic Partnership but, at the time of the audit, this was not in place. Environmental sustainability and climate change forms part of the context in the SOA but there are no specific sustainability performance targets.

Equalities

96. The council and its partners have a clear ambition to tackle inequalities and identify this as an area of particular focus. The council has sound arrangements in place and has taken action to embed equalities throughout its services.
97. The Edinburgh Partnership's overarching vision, 'Edinburgh is a thriving, successful and sustainable capital city in which all forms of deprivation and inequality are reduced', shows a clear ambition to tackle inequality.
98. In June 2012, the council approved a new 'Framework for Equality and Human Rights 2012/17'. This sets out how the council will respond to its statutory duties for equalities and includes wider social and economic issues. The implementation timetable includes milestones and a progress report is due to go to the communities and neighbourhoods committee in May 2013.
99. As well as agreeing its new equalities framework, the council has also committed to a programme of equality and rights impact assessments (ERiAs). ERiAs widen the focus of the assessment to cover the full range of new duties and framework objectives.
100. In implementing its equalities framework, the council is developing outcome measures to monitor the impact of its activity. These measures will link to the council's strategic plan and the partnership's SOA. The council has been using the equalities measurement framework, developed by the Equalities and Human Rights Commission, to help it gather and use appropriate information.
101. The council reviewed its internal arrangements for equalities when it restructured its corporate governance department. Equalities is now brought together with sustainability, community planning and voluntary sector engagement as a single unit with the department. This structure is relatively new and it is too early to assess whether the arrangements are working effectively.

Part 6. Is the council managing its resources effectively?

The council manages its finances well, with spending contained within budgets and long-term financial plans in place. It faces significant financial challenges, particularly from 2014/15 onwards. Its savings plans depend heavily on savings from improved procurement. The council is starting to address weaknesses in workforce planning and ICT, recognising that these are essential to achieve the improvements it is pursuing.

Managing finances

- 102.** The council has achieved good financial results in recent years. It has operated within budget and has reserves available, but has a substantial level of borrowing. The council has identified significant financial challenges and has savings programmes in place that aim to address these.
- 103.** In 2011/12, the council reported an under-spend against budget and a general fund balance of £101 million at 31 March 2012. Its cumulative debt was £1.4 billion at that date, an increase of 30 per cent over four years. This is due to the purchase of its Waverley Court headquarters building and other properties, to achieve revenue savings, and to the tram project. The council is operating within the borrowing limits in its treasury policy. However, the associated increase in borrowing costs will reduce flexibility in future budgets.
- 104.** The council set a balanced budget for 2013/14 but the position becomes much more challenging from 2014/15. In the context of a net annual expenditure of around £1 billion, the four-year budget for 2014-18²² shows overall savings requirements of £33 million in 2014/15 and recurring annual savings of £107 million by 2017/18.
- 105.** The council is examining options for achieving these savings. The four-year budget shows that the council's plans depend heavily on savings from improved procurement, ie recurring annual savings of £41 million by 2017/18. Assuming all elements of the savings plans are achieved, the council still needs to identify savings of £7 million in 2015/16, £19 million in 2016/17 and £17 million in 2017/18.
- 106.** The council had planned to save £294 million from Alternative Business Models (ABM), which would have involved partnerships with the private sector ([Exhibit 11](#)) and new ways of working. By January 2012, however, the council had rejected the ABM proposals and decided to pursue in-house alternatives. This approach required the council to change its financial plans and to identify alternatives to the savings anticipated from ABM. These are reflected in the 2014-18 four-year budget highlighted above.

²² Reported on 24 April 2013 to the finance and budget committee, policy development and review subcommittee

Exhibit 11

Alternative Business Models

In February 2009, the council agreed to start a major project to examine ABM for the provision of some services. ABM aimed to achieve savings of £294 million over a seven to ten year period and involved delivering services with private sector partners. The following service areas were part of ABM:

- Corporate and Transactional Services (CaTS) – including revenues and benefits, human resources and payroll
- Integrated Facilities Management – covering building maintenance and design, catering, cleaning, janitorial and security services
- Environmental Services – including refuse collection, street cleansing, road maintenance and design and ground maintenance.

In November 2011, members voted to terminate the procurement process for Environmental Services. In January 2012, the council decided not to proceed with Integrated Facilities Management and CaTS. In the relevant reports when these decisions were made, officers recommended to councillors that CaTS should not proceed as part of the ABM project but did recommend proceeding with the other two service areas. By January 2012, the council had invested £3.3 million in the ABM project.

Since January 2012, officers have been working on a programme of internal improvement for each service:

- ImProve it, the environmental service plan to redesign waste collection
- Integrated Property and Facilities Management (iPFM), which aims to reduce the number and improve the quality and energy efficiency of its buildings
- CaTS, designed to improve customer services through online services and new technology.

Plans are at various stages of development: the council approved the business case for CaTS in January 2013 and officers are developing more detailed business cases for ImProve it and iPFM. The council has pressed ahead with changes under the ImProve it programme and has achieved savings.

Source: Audit Scotland

107. During 2011, the council identified serious problems in its statutory building repairs service and there is a risk that this will affect its financial plans. The council decided to restrict this service to emergency repairs following investigations of alleged improper practices including poor service, overcharging and mismanagement ([Exhibit 12](#)). The total amount due to the council for work done was £40 million at 31 March 2012. There is uncertainty about how much of this the council will be able to recover. There is also a risk of legal claims from contractors and residents from work completed under the statutory repair scheme.

Exhibit 12

Statutory property repairs

The council appointed external consultants to investigate its property conservation service in April 2011 following allegations of poor service, overcharging and mismanagement. The service was responsible for serving statutory notices requiring repairs to commonly-owned parts of buildings, such as roofs.²³ The council subsequently broadened the review to include services that maintained council buildings.

The council commissioned external consultants to undertake the investigation. The police launched a separate investigation because of the nature of some of the allegations. While the council investigation is complete, elements of the police investigation are ongoing. The council's investigation identified a range of shortcoming in the service provision. The council has dismissed four members of staff, two have retired and a further two are under investigation. The council published the external consultants' reports in April 2013.

The council has received over 900 complaints about repairs projects. It has a two-stage process involving initial consideration and an appeals process. A report to the council in March 2013 indicated that all complaints would receive initial consideration by the end of that month. Those cases where the council considers there may be a case to answer will be the subject of mediation over summer 2013.

In August 2012, the policy and strategy committee agreed the service should end. The council launched a new 'Shared Repairs Service' in April 2013. This service focuses on providing advice and information to homeowners and an emergency response service.

Source: Audit Scotland

- 108.** The 2007 BV report identified the need for more effective longer-term financial planning. The council has made good progress in developing longer-term financial plans. It now has a long-term financial plan for the period to 2019/20. This shows future budgets based on existing service levels and identifies potential funding gaps. Councillors review the underlying financial, economic, service and demographic assumptions regularly.
- 109.** The council's four-year budget for 2014-18 takes the long-term financial plan as its starting point, identifies pressures and identifies the options to achieve savings. It also takes account of structural and legislative changes, such as the integration of health and social care services and welfare reform.
- 110.** The council's savings plans show recurring annual savings from improved procurement of £41 million by 2017/18 or, on a cumulative basis, £104 million over the period covered by the four-year 2014-18 budget. This represents the largest element of the council's overall savings plan. In March 2012, the council appointed consultants to work with officers to develop procurement savings options. The council has also strengthened its in-house arrangements and appointed a manager in July 2012 to lead the council's procurement unit. The council has also

²³ Under powers in the 1991 City of Edinburgh District Council Confirmation Order

introduced new contract standing orders and is providing training for budget holders to develop greater awareness of the options and impact of spending decisions.

111. The council has good arrangements for reviewing procurement proposals. Officers present savings plans to the monthly procurement partnership board and plans are then subject to final approval by the finance and budget committee. For example, the finance and budget committee considered the following proposals in February 2013, from which the council expects savings of £2.6 million:
- adopting the Scottish Procurement framework for the supply of IT consumables
 - appointing a single supplier to manage print services
 - adopting the Scotland Excel framework for the supply of school and office furniture.
112. Members and officers demonstrate a strong commitment to achieving savings through improved procurement but acknowledge that the targets are very challenging, particularly in the medium to long-term. The council engaged a further firm of consultants to verify its ability to deliver the proposed savings. More recently, the council announced that this firm would be taking over the procurement improvement work from the consultants appointed in March 2012.

Managing assets

113. The council has good arrangements for property rationalisation and improvement and aims to make further savings from better management and use of assets.
114. The council has challenging targets for savings from property rationalisation, particularly from 2014/15 when it plans to achieve recurring annual savings of about £5 million. In addition, it is developing Integrated Property and Facilities Management (iPFM), an internal improvement plan for corporate property. iPFM aims to deliver savings of £30 million over seven years. An external consultant, in the role of head of corporate property, is managing the corporate function and delivery of the change programme.
115. The council is reviewing its estate to identify opportunities for consolidation and is working with public sector partners to identify opportunities to share office space. It has developed community hubs as 'one-stop shops' for services such as libraries, social work, community safety and housing.
116. Discussions are also ongoing with the Edinburgh Partnership on a collaborative framework for property asset management that aims to encourage further co-location of services. It is also discussing what services should be provided centrally and what should be provided in communities. However, these proposals are at an early stage.

Managing people

117. The council lacks a strategic approach to workforce planning. While the council has many elements of workforce planning in place it has not brought these together effectively at a council-wide level. The council acknowledges it needs to improve this, but it has made limited progress since the previous BV report.
118. The 2007 BV report found that the council had made good progress in developing its human resources strategy and in making the function more corporate in focus. However, the report also found that the council needed to develop a strategic approach to workforce planning.

Despite setting up a workforce planning task group in 2009, the council still does not have a corporate workforce strategy or plan in place. The council is working to develop a new organisational development strategy, but this is at an early stage.

119. The number of people working in the council reduced by 1,158 (797 full-time equivalents (FTE)) between April 2010 and March 2012, representing a reduction of 5.8 per cent in the council's workforce (5.03 per cent FTE). Of these, 302 people left through voluntary early release arrangements, while a further 102 left through voluntary and compulsory redundancies. The one-off, aggregate cost to achieve this was £13.2 million, and the council expects a recurring savings of £12.9 million per annum.
120. As in other councils, staff reductions have been used to achieve savings. However, without a corporate approach to workforce planning, the council is limiting its ability to:
- understand the skills profile of the workforce and plan the future staffing needs
 - ensure it is not losing essential skills
 - make sure it has the right people in the right posts.
121. Sickness absence rates for all staff have been improving steadily over the last three years, but there is scope for further improvement as the council is comparable with the national average at 9.3 days per employee in 2011/12. The council approved a new managing attendance procedure in August 2012 aimed at supporting managers to make further progress on absence levels.
122. The council published the results of its most recent staff survey in October 2012. It has compared the results to those of the previous survey carried out in 2009 to allow it to track progress. There was an overall response rate of 36 per cent, similar to the 35 per cent achieved in 2009. [Exhibit 13](#) sets out the main results from the 2012 survey.

Exhibit 13

Staff survey results 2012

Progress on the 2009 survey:

- Pride in working for the council has increased from 44 per cent to 55 per cent.
- Staff understanding of service aims and objectives has increased from 71 per cent to 80 per cent.
- Satisfaction with working for the council has declined from 62 per cent to 58 per cent.
- 15 per cent of staff believe action was taken on the 2009 survey and 22 per cent of staff believe that action will be taken on the results of the 2012 survey.

Results from the 2012 survey:

Working for the council:

- 44 per cent of staff would recommend the council as a place to work.
- 15 per cent believe the council is a better place to work than it was a year ago.
- 48 per cent say that their personal morale is good.

Managers:

- 41 per cent believe senior managers in their service have a clear vision for the council.
- 39 per cent have confidence in the decisions made by senior managers in their service area.
- 60 per cent feel they have a say about the way they work and 50 per cent say they are involved in decision that affect their work.

Change:

- 73 per cent understand the need for change and 67 per cent support the need for change.
- 49 per cent feel informed about changes and 45 per cent feel changes are well communicated.
- 29 per cent believe they have a say on changes that affect them and 28 per cent feel that changes are well managed.

Source: City of Edinburgh Council/Audit Scotland

123. The survey results indicate increased pride in working for the council and that staff understand service aims and objectives. However, the results also highlight some lack of confidence in senior managers. There are also indications of concerns in staff engagement in change activity and in confidence in the way change is managed. Staff have identified improved visibility of managers and listening to staff and the public as priority areas for improvement.
124. Across many of the survey areas, staff in the corporate governance and services for communities departments were more negative in their responses. This may reflect the major changes that have taken place within these two departments. The council intends addressing the findings of the staff survey, at service and corporate levels. These plans are still developing and, as such, it is too early to assess their impact.
125. The council has a staff appraisal process, known as PRD (Performance Review and Development), but it needs to ensure that it uses PRD effectively across the organisation. All

staff are required to complete a PRD annually but the staff survey results indicate that only 72 per cent of staff had completed one within that year. The completion rate varied between departments, ranging from 86 per cent in corporate governance to 68 per cent in health and social care. There were also wide variations in completion rates across grade groups, with poor levels of completion in manual/craft grades, at only 32 per cent. The results of the staff survey indicate that only 50 per cent of staff feel that the feedback they receive helps them to improve their performance.

- 126. The council introduced a 'partnership at work' agreement with the trade unions in 2012. There are early signs that the new arrangements are improving communication and that relationships are more constructive. However, the arrangements will take time to develop fully.
- 127. The council provides a range of training and development opportunities for its staff and it has achieved Investors in People gold status, the highest award available. The Investors in People award is an independent assessment of people management practice that councils, and other organisations, can choose to complete.
- 128. The council monitors the percentage of its top earning employees that are female. There has been a steady increase in the percentage of females in both the top two per cent and five per cent of earners and the council compares well to other councils.

ICT

- 129. The council is aware of the urgent need to improve ICT. It is currently strengthening its management of ICT to get better value from its contract with an external supplier and to ensure that its ICT is sufficient to support the improvements it is pursuing.
- 130. In 2001, the council entered a ten year partnership with an external contractor to manage and modernise ICT. In 2008, the council extended the contract to 2016. It is clear from discussions with senior officers and other staff that the current ICT arrangements do not effectively meet business needs. Staff say they are not receiving the required level of support and assistance, equipment is out-dated and unreliable, and systems are incompatible.
- 131. The council is developing a new ICT strategy, strengthening ICT governance and management and refreshing its ICT infrastructure to overcome these issues and to achieve better value from the ICT contract. An external consultant is managing and supporting these activities. The council plans to involve staff to ensure the strategy focuses on users' needs. Officers report that the strategy is on track for completion by summer 2013 and the council is receiving regular updates on progress.
- 132. The council recognises that investment in ICT is required and has allocated £7.5 million for ICT improvements in its 2013/14 budget. Although progress has been made in recent months, a greater pace of improvement in ICT is critical if the council is to achieve its programme of change and service improvement.

Part 7. Prospects for future improvement

Strong leadership has increased the pace of improvement in the council, particularly over the past year. The chief executive has had a significant influence on change and improvement. There is a strong level of self-awareness among councillors and senior officers of what the council needs to do to meet the challenges it faces.

It is too early to assess the full effectiveness of the council's ambitious and wide-ranging improvement programme. We assess the council's prospects for future improvement as 'fair'. However, it is likely to enhance these prospects if it sustains the recent momentum for change and is successful in achieving its savings plans, more effective workforce planning and better ICT. The council also needs to ensure it has the right level of skills and capacity in place to support improvement.

Does the council have the leadership capacity and capability to deliver improvements?

133. The council has strengthened its leadership and as a result the pace of change has increased considerably, particularly in the past year. Changes in managerial leadership have been central to this and clear leadership from councillors has facilitated it. There is a common understanding among councillors and officers that the council needs to improve further if it is to meet the financial and service challenges it faces.

Management leadership

134. There have been considerable changes in management in recent years ([Exhibit 14](#)). At the time of the first BV audit in 2007, there were seven departments. The CMT now consists of the chief executive and four directors covering: corporate governance; services for communities; health & social care; and children & families. The chief financial officer and senior officers with responsibilities for communications, organisational development and economic development also attend the CMT meetings. Other officers attend meetings as required.

Exhibit 14

Senior management changes since January 2011

January 2011 - chief executive takes up post.
March 2011 - the property conservation service transfers from city development to services for communities.
April and June 2011 - the former directors of the corporate services and finance departments retire.
June 2011 - the council approves a new corporate management structure, including the merger of finance and corporate services into a new corporate governance department.
September 2011- the council appoints the director of corporate governance.
December 2011 – the council approves a review of service alignment across departments. Changes included transport, planning and property services transferring (from city development) and significant trading organisations (from corporate governance) to services for communities.
February 2012 – the policy and strategy committee approves the new management structure for the corporate governance department.
November 2012 – the director of city development resigns.
April 2013 - further changes to corporate governance department are agreed. The post of head of policy and public affairs is deleted. Functions are realigned within the department. The external relations function is transferred to economic development.

Source: Audit Scotland

135. The chief executive has provided strong leadership since she took up post in January 2011. Initially her main focus was to resolve long-running disputes associated with the tram project. Councillors, officers and partners hold the chief executive's leadership in high regard and it is clear she has been central in the positive shift in culture that is becoming more evident in the council.
136. The CMT works well together and, with the chief executive's leadership, continues to develop a more corporate and strategic approach that focuses on achieving improved outcomes for communities, rather than individual departmental objectives.
137. CMT members are heavily involved in the change programme. They face challenges in leading change while at the same time dealing with the pressures in their service areas. For example, the director of services for communities has had to take forward a range of projects following the council's decision not to proceed with ABM. He now also oversees the statutory repairs service and, more recently, has had to deal with concerns about practices at Mortonhall crematorium. Following consideration in January 2013 by the transport and environment committee of the initial findings of the council's Mortonhall crematorium investigation, the committee agreed to commission an independent expert to lead and direct a further investigation.
138. The CMT is aware of these pressures and in response is developing a 'distributed leadership' approach as part of the wider changes within the council. This approach includes the

extended CMT, which involves heads of services and the CMT. The extended CMT provides more capacity at senior officer level and helps reinforce the vision for the future and build confidence among staff in the decisions made by senior managers, both of which were highlighted as areas for action in the 2012 staff survey.

Political leadership

139. Following the May 2012 elections the Labour and SNP groups agreed to work together in a coalition administration. The coalition councillors work well together and there is an effective working relationship between the leader (Labour) and the deputy leader (SNP). The coalition has set out a clear vision and objectives with a strong focus on improving outcomes. The coalition has also adopted an open approach to business demonstrated, for example, by its commitment to publish information about its progress in achieving its policy pledges.
140. There are constructive and effective working relationships across political parties. Councillors from all parties are strongly committed to restoring public confidence in the council, and the council's reputation more generally. There is a common understanding that the council needs to build public trust and confidence if it is to achieve its plans for the city.
141. Working relations between councillors and officers are good, with evidence of a clear understanding of respective roles and responsibilities. It is clear that councillors determine policy and priorities and scrutinise delivery and performance. Councillors engage well with officers. They take a keen interest in services and outcomes and demonstrate a good understanding of the most significant council-wide issues as well as their specific areas of committee responsibility.

Governance, scrutiny and challenge

142. The council set up new political governance arrangements in October 2012. It is too early to assess their effectiveness but the early indications are positive. The new arrangements have good potential to support engagement, transparency and scrutiny.
143. The committee structure ([Exhibit 2](#)) includes a corporate policy and strategy committee and seven executive decision-making committees each with a subcommittee to allow time for policy development and scrutiny. Councillors challenge officers and other councillors and the quality and depth of questioning is good.
144. The governance, risk and best value committee replaced the audit committee in the new structure. It has a broader remit that includes specific responsibilities for organisation-wide risk and performance management. A senior councillor from the opposition chairs the new committee.
145. The new petitions committee has potential to improve community engagement in council business but it is too early to assess its impact. The committee first met in December 2012 and considered a petition on public transport in Kirkliston. It decided to refer the matter to the transport and environment committee.
146. The new arrangements also include meetings designed to promote inclusivity and transparency in the political process. Leaders' meetings and committee agenda setting meetings are open to opposition parties and councillors from all parties welcome this approach. Although there are no indications of this to date, the council needs to ensure that

these positive steps to improve cross-party working do not become informal decision-making forums. If this were to be the case, it would detract from the coalition's aims of improving public accountability and transparency.

147. There are weaknesses in risk management. Officers acknowledge the need for improvement and are implementing changes to strengthen the position. Early in 2012, the council commissioned an external assessment of risk management. This concluded that risk management practices were operating at a basic level and that improvement was required across the council. In November 2012, the governance, risk and best value committee approved a new risk management policy and strategy and the council is committed to reviewing progress.
148. Internal audit is an important element of the council's risk management arrangements. Following the retirement of the chief internal auditor in July 2012, a firm of accountants works in partnership with council staff to deliver the internal audit and risk management function. This arrangement aims to transfer skills from the external partner to the council so that the council can revert to an in-house service at the end of the contract in 2016. Internal audit reports to the director of corporate governance and the governance, risk and best value committee oversee internal audit activity.

Performance management

149. The council has effective performance management arrangements. It has become more outcomes focussed and has worked to address inconsistencies in its arrangements, both of which were identified as areas for improvement in the 2007 BV report. The council's performance framework will take time to bed-in and the council needs to make sure that service planning arrangements support the new framework.
150. The council approved a new performance framework in October 2012. It brings together the council's priorities from its capital coalition pledges, its strategic plan and the SOA with a clear focus on outcomes. Staff awareness of the new framework is developing, particularly for those in corporate roles. The council now needs to widen this awareness so that staff not based in main offices or who do not have regular internet and email access become familiar with the new framework.
151. All services also have a performance manager to support the process. As part of the restructuring of the corporate governance department, the council created a new business intelligence unit. The unit brings together staff engaged in a range of research, information and performance work across the council and aims to promote a corporate focus and consistency. The CMT now receives monthly performance reports on all directorates, whereas previously it considered reports every two months.
152. Councillors show a strong interest in performance information and ask challenging questions. Under the new committee structure, service performance is reported to the relevant executive committee, with more detailed information provided to the policy development subcommittees. The corporate policy and strategy committee considers council-wide performance reports and the work programme for the governance, risk and best value committee includes a performance-focussed session at every third meeting.
153. The standard of reports for council and committees is generally good although there is scope to improve consistency. Councillors have requested clearer terminology and better

presentation of information to help give a clearer picture on performance and trends. Officers are making good progress in improving reports.

154. The council produces a good annual public performance report. The report brings together information on financial performance, progress against outcomes and information from customer satisfaction and scrutiny activity. It also has a performance page on its website that provides links to performance reports, financial reports and survey findings.
155. The council uses of benchmarking in its public performance report and in other reports such as its statutory performance indicator report. It uses family groupings²⁴ to compare its position with other councils. It also uses customer satisfaction information as part of its performance measures, both at service and council-wide level.

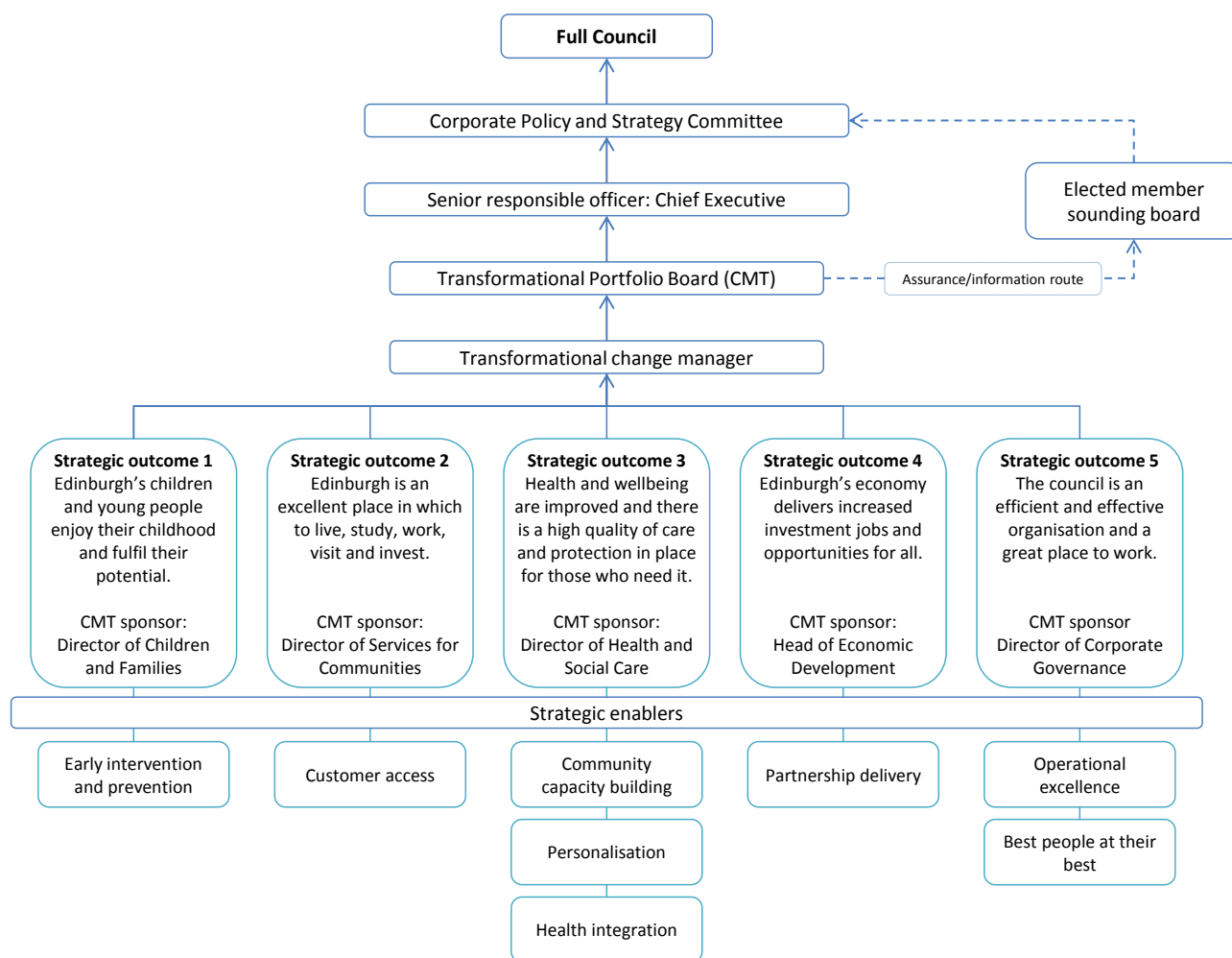
Is the council aware of where it needs to make improvements and is it committed to change?

156. There is a strong level of self-awareness among councillors and senior officers of what the council needs to do to meet the financial and service challenges it faces. The council is taking steps to improve in these areas but it is too early to assess the impact of actions taken over the past six to twelve months.
157. The council has an ambitious and wide-ranging improvement programme that is set out in its Transformation Change Plan ([Exhibit 15](#)). Within this, each member of the CMT has responsibility for one of the corporate priority areas and for related strategies, plans and projects.

²⁴ Family groupings are groups of councils that share similar characteristics, such as geographic size, levels of deprivation, or population density. Using family grouping can provide helpful comparisons by taking into account the wider context of the council's performance.

Exhibit 15

Transformation change plan



Source: The City of Edinburgh Council

- 158. There is also a wide range of interrelated improvement work that is not directly part of the transformation change plan. For example, the council has set up development programmes in services following its decision not to proceed with the Alternative Business Models (Exhibit 11).
- 159. The council recognises the need for effective overview of all of this work and, as part of its response, it launched a corporate programme office (CPO) in January 2013. Its purpose is to provide oversight and coordinate the resources for reviews, change programmes and strategic projects.
- 160. The principle of the CPO is sound but it is important that it is fully functional quickly and develops good relationships with services. The council needs to ensure there is effective communication about the CPO to staff across services. Some staff who we spoke to during the audit did not have a clear understanding of the purpose of the CPO and how it will operate in practice.

161. The CPO needs to establish its position and ensure it can secure the skills and capacity to fulfil its role successfully. However, at the time of the audit, the council was also unable to demonstrate how and when it will fully staff the CPO. The council is investing in training to increase change management skills. However, there is a risk that the skills and experience needed are not in place to match the council's ambitions for improvement and pace of change.
162. The council identified the need for specialist skills to support key areas that are central to achieving savings and sustaining improvement. For example, it has brought in external contractors and consultants to provide immediate capacity in ICT and procurement. This has allowed the council quickly to direct specific knowledge and experience to support critical work. It also gives the council more flexibility in reducing or replacing these specialists as the work and priorities change. However, the council needs to do more to demonstrate value for money and sustainability from these arrangements over a longer period of change.
163. Councillors and senior management are very aware of the importance of achieving the change in organisational culture necessary to deliver the change programme. The council needs to do more to ensure that it communicates this across the organisation. This was confirmed by the 2012 staff survey which highlights that, although support for change is higher than it was in 2009, only 28 per cent of staff feel change is well managed and only 29 per cent feel they have a say on changes that affect them.
164. The cross-section of officers and managers that we spoke to during the audit generally welcomed the changes taking place. They recognised a positive shift in culture since the chief executive came into post but indicated that empowerment and engagement varied across services. They showed commitment to and pride in the services they deliver but recognised the strain on morale from the high profile problems the council has had to deal with in recent years.
165. There are some good examples of communication with staff. This included face-to-face sessions with managers and staff of the corporate governance department to explain the corporate vision, changes to the management structure and priorities for the department. This was a good approach given it is a new department and the significant changes for staff working in it.
166. However, overall, staff provided mixed views on communication of change with those working outwith headquarters saying that methods for disseminating information are not effective. A better understanding is required of the most appropriate approach to communications, particularly in services where change is ongoing and staff feel vulnerable.
167. The corporate plan includes the need to develop a communications plan. However, there have been further changes in the team responsible for communications that may delay the development and implementation of this work. The council needs to prioritise communication to ensure that staff have a more consistent understanding of the improvement work. This will also help address staff uncertainties associated with wide-ranging change.

Appendix 1. Judgement descriptions

The BV audit provides two overall judgements on council performance. One assesses how well the council is performing and the other covers the council's prospects for improvement. The judgements are based on standard descriptors as shown in the following two tables. **The highlighted text** indicates the audit assessment for the City of Edinburgh Council.

How good is my council's overall performance?	Unsatisfactory	Satisfactory	Good	Outstanding
Improving outcomes and addressing complex cross-cutting issues with partners.	The council has a poor track record in delivering improved outcomes for the area with its partners, and addressing key cross-cutting issues such as community safety, health improvement, equalities, and sustainability.	Progress towards key strategic outcomes is mixed, with improved progress required in a number of important outcome areas. Systematic evidence of the impact of partnership working is not available.	Consistent progress is being made towards the majority of key strategic outcomes. However, some improvements are still required in a number of outcome areas and there is scope to further align partnership working with key strategic priorities.	The council is able to consistently demonstrate considerable success in delivering complex cross-cutting strategic local issues and improving outcomes with partners. Consistent progress is being made towards almost all key strategic outcomes. Limited improvements are required.
The quality of local service.	The overall quality of council services is consistently below the national average. Many services, including one or more key services (education, social work, or housing) require significant or urgent improvement.	Overall service performance is mixed. Whilst some services are performing well several services, or significant aspects of services, require important improvements to be achieved.	Many council services are performing consistently well and demonstrating continuous improvement. Whilst some further improvements are required, all key services are performing well.	Most of the council services are recognised as performing at the highest level. All key services can demonstrate strong and consistent improvement.
The views of citizens and service users	Overall satisfaction with the council and its services is consistently below the national average. Overall satisfaction trends are static or falling. Arrangements for consulting with local people and users of services are patchy and underdeveloped and the council cannot demonstrate that consultation is influencing decision-making and service improvement.	Overall satisfaction with the council and its services is mixed, with a significant number of services, or important aspects of services, below the national average. Overall satisfaction trends are improving slowly. The council has introduced arrangements for consulting with local people and users of services but these are not applied consistently throughout the organisation. Whilst there are some examples of this 'making a difference' within departments systematic evidence of impact is not yet available.	Overall satisfaction with the council and its services is generally above the national average, with overall satisfaction trends that are improving well. Arrangements for consulting with local people and users of services are well developed. There is good evidence that that consultation and engagement is taken seriously across the organisation with good systematic evidence available on its impact.	Overall satisfaction with the council and its services is consistently above the national average for most aspects of performance, with overall satisfaction trends that are improving quickly. The council has comprehensive and well co-ordinated arrangements for consulting with local people and users of services and is able to demonstrate that their views are influencing strategic priorities and shaping service improvements
The council's progress in delivering on its improvement agenda (including VFM)	There is limited evidence that the council knows where improvements are required and is able to secure improvement in service performance. It cannot demonstrate improvement in VFM.	Whilst some services are improving the pace of change has been slow and the council has been unable to systematically transfer service improvements from one service to another and secure systematic improvements in VFM.	The council knows where improvements are required and can demonstrate a systematic and effective approach to securing improvements across all services (including VFM). Improvement are implemented quickly, and with little slippage.	The council is able to demonstrate that it is effectively managing performance improvements in line with its strategic priorities, across services, and in partnership with others, and it can demonstrate systematic and significant improvement in VFM.

Appendix 1. Judgement descriptions

What are my council's prospects for future improvement?	Poor prospects	Fair prospects	Good prospects	Excellent prospects
Leadership capacity and organisational commitment to change	The council does not have the leadership and management arrangements needed to deliver on its ambitions. Governance is weak and developing its political and managerial ability to tackle the council's problems is a key priority for the council	The council needs to improve its leadership and managerial impact to deliver on its ambitions. There are some weaknesses in the governance arrangements and it is unable to demonstrate that it currently has the organisational commitment and capacity to secure change and improved outcomes.	The council has effective political and managerial leadership supported by good governance arrangements. It is committed to continuous improvement, focused on what matters to local people, and is securing improved outcomes.	The council has highly effective political and managerial leadership supported by strong and effective governance arrangements. It has ambitious plans for the areas and a strong focus on continuous improvement. It has the organisational commitment and capacity to secure change and improved outcomes.
Partnership working	The council has not yet established a shared vision for the area with its partners, supported by sound governance arrangements and the resources needed to deliver key priorities.	Whilst the council has established a shared vision for the area with its partners, there is not a consistent sense of ownership from the partnership's leaders and improvements are needed in governance and resource alignment.	Leaders of the partnership articulate a clear and consistent shared vision and sense of purpose for the partnership and the improvements it is trying to achieve for the area and effective governance and resource alignment arrangements are in place.	Leaders of the partnership actively promote and communicate the shared vision and sense of purpose of the partnership and the improvements it is trying to achieve for the area. They can demonstrate – and are committed to – ensuring that the shared vision for the area impacts on their own organisation and partnership activity.
Staff understanding of and commitment to improvement	There is very limited staff understanding of and commitment to continuous improvement and the council's improvement agenda.	Staff understanding of and commitment to continuous improvement and the council's improvement agenda is developing.	There is widespread staff understanding of and commitment to continuous improvement and the council's improvement agenda.	There is very strong staff understanding of and commitment to continuous improvement and the council's improvement agenda.
Effectiveness of resource planning and performance management (including member scrutiny).	The council lacks awareness of where it needs to make improvements and is not able to secure improvement in service performance as a consequence of ineffective performance management arrangements and weak scrutiny and challenge. Resources are not used to best effect.	Whilst the council is aware of where it needs to make improvements, it lacks a systematic approach to securing improvement. Scrutiny and challenge is patchy. The council lacks a systematic process for directing resources to key priority areas and securing improved VFM.	The council is aware of where it needs to make improvements, and has a systematic approach to securing improvement. Scrutiny and challenge is well developed. It has a systematic process for directing resources to key priority areas and securing improved VFM, but cannot yet demonstrate consistently improved outcomes.	The council is aware of where it needs to make improvements, and has a systematic approach to securing improvement. Scrutiny and challenge is highly effective. The council has a systematic process for directing resources to key priority areas and can demonstrate consistently improved outcomes

